From: jeffrey E. [jeevacation@gmail.com]
Sent: 6/23/2018 3:38:53 PM
To: Steve Bannon [redacted]
Subject: Re: Re:
Attachments: image002.png; image003.png; image004.png; image001.png

Importance: High

maybe, but southern district . money laundering. . any action that "offends the constitution " . corrupt intent. . . many open questions. . flippers will dictate (my view)

On Sat, Jun 23, 2018 at 2:44 PM, Steve Bannon <[redacted]> wrote:

> Big deal
>
> Begin forwarded message:
>
> **Resent-From:** <[redacted]>
> **From:** "Rivkin, David" <[redacted]>
> **Date:** June 23, 2018 at 8:14:49 AM EDT
> **To:** Steve Bannon <[redacted]>
> **Subject: Fwd: Re:**
>
> Here it is.
>
> Sent from my iPhone
>
> Begin forwarded message:
>
> **From:** "Grossman, Andrew M" <[redacted]>
> **Date:** June 23, 2018 at 12:56:55 AM EDT
> **To:** "Rivkin, David" <[redacted]>
> **Subject: Re:**
>
> # Mueller's Fruit of the Poisonous Tree
>
> It makes no difference how honorable he is. His investigation is tainted by the bias that attended its origin in 2016.
>
> *By*
>
> *David B. Rivkin Jr. and*
>
> *Elizabeth Price Foley*
>
> June 22, 2018 6:38 p.m. ET
>
> 414 COMMENTS
>
> Special counsel Robert Mueller's investigation may face a serious legal obstacle: It is tainted by antecedent political bias. The June 14 report from Michael Horowitz, the Justice Department's

inspector general, unearthed a pattern of anti-Trump bias by high-ranking officials at the Federal Bureau of Investigation. Some of their communications, the report says, were “not only indicative of a biased state of mind but imply a willingness to take action to impact a presidential candidate’s electoral prospects.” Although Mr. Horowitz could not definitively ascertain whether this bias “directly affected” specific FBI actions in the Hillary Clinton email investigation, it nonetheless affects the legality of the Trump-Russia collusion inquiry, code-named Crossfire Hurricane.

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Mr. Horowitz is separately scrutinizing Crossfire and isn’t expected to finish for months. But the current report reveals that FBI officials displayed not merely an appearance of bias against Donald Trump, but animus bordering on hatred. Peter Strzok, who led both the Clinton and Trump investigations, confidently assuaged a colleague’s fear that Mr. Trump would become president: “No he won’t. We’ll stop it.” An unnamed FBI lawyer assigned to Crossfire told a colleague he was “devastated” and “numb” after Mr. Trump won, while declaring to another FBI attorney: “Viva le resistance.”

The report highlights the FBI’s failure to act promptly upon discovering that Anthony Weiner’s laptop contained thousands of Mrs. Clinton’s emails. Investigators justified the delay by citing the “higher priority” of Crossfire. But Mr. Horowitz writes: “We did not have confidence that Strzok’s decision to prioritize the Russia investigation over following up on [the] investigative lead discovered on the Weiner laptop was free from bias.”

Similarly, although Mr. Horowitz found no evidence that then-FBI Director James Comey was trying to influence the election, Mr. Comey did make decisions based on political considerations. He told the inspector general that his election-eve decision to reopen the Clinton email investigation was motivated by a desire to protect her assumed presidency’s legitimacy.

The inspector general wrote that Mr. Strzok’s text messages “created the appearance that investigative decisions were impacted by bias or improper considerations.” The report adds, importantly, that “most of the text messages raising such questions pertained to the Russia investigation.” Given how biases ineluctably shape behavior, these facts create a strong inference that by squelching the Clinton investigation and building a narrative of Trump-Russia collusion, a group of government officials sought to bolster Mrs. Clinton's electoral chances and, if the unthinkable happened, obtain an insurance policy to cripple the Trump administration with accusations of illegitimacy.

What does this have to do with Mr. Mueller, who was appointed in May 2017 after President Trump fired Mr. Comey? The inspector general concludes that the pervasive bias "cast a cloud over the FBI investigations to which these employees were assigned," including Crossfire. And if Crossfire was politically motivated, then its culmination, the appointment of a special counsel, inherited the taint. All special-counsel activities—investigations, plea deals, subpoenas, reports, indictments and convictions—are fruit of a poisonous tree, byproducts of a violation of due process. That Mr. Mueller and his staff had nothing to do with Crossfire's origin offers no cure.

When the government deprives a person of life, liberty or property, it is required to use fundamentally fair processes. The Supreme Court has made clear that when governmental action "shocks the conscience," it violates due process. Such conduct includes investigative or prosecutorial efforts that appear, under the totality of the circumstances, to be motivated by corruption, bias or entrapment.

In *U.S. v. Russell* (1973), the justices observed: "We may someday be presented with a situation in which the conduct of law enforcement agents is so outrageous that due process principles would absolutely bar the government from invoking judicial processes to obtain a conviction." It didn't take long. In *Blackledge v. Perry* (1974), the court concluded that due process was offended by a prosecutor's "realistic likelihood of 'vindictiveness' " that tainted the "very initiation of proceedings." In *Young v. U.S. ex rel. Vuitton* (1987), the justices held that because prosecutors have "power to employ the full machinery of the state in scrutinizing any given individual . . . we must have assurance that those who would wield this power will be guided solely by their sense of public responsibility for the attainment of justice." Prosecutors must be "disinterested" and make "dispassionate assessments," free from any personal bias.

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In addition to the numerous anti-Trump messages uncovered by the inspector general, there is a strong circumstantial case—including personnel, timing, methods and the absence of evidence—that Crossfire was initiated for political, not national-security, purposes.

It was initiated in defiance of a longstanding Justice Department presumption against investigating campaigns in an election year. And while impartiality is always required, a 2012 memo by then-Attorney General Eric Holder emphasizes that impartiality is “particularly important in an election year,” and “politics must play no role in the decisions of federal prosecutors or investigators regarding any investigations. . . . Law enforcement officers and prosecutors may never select the timing of investigative steps or criminal charges for the purpose of affecting any election, or for the purpose of giving an advantage or disadvantage to any candidate or political party.”

Strong evidence of a crime can overcome this policy, as was the case with the bureau’s investigation of Mrs. Clinton’s private email server, which began more than a year before the 2016 election. But Crossfire was not a criminal investigation. It was a counterintelligence investigation predicated on the notion that Russia could be colluding with the Trump campaign. There appears to have been no discernible evidence of Trump-Russia collusion at the time Crossfire was launched, further reinforcing the notion that it was initiated “for the purpose” of affecting the presidential election.

The chief evidence of collusion is the hacking of the Democratic National Committee’s servers. But nothing in the public record suggests the Trump campaign aided that effort. The collusion narrative therefore hinges on the more generic assertion that Russia aimed to help Mr. Trump’s election, and that the Trump campaign reciprocated by embracing pro-Russian policies. Yet despite massive surveillance and investigation, there’s still no public evidence of any such exchange—only that Russia attempted to sow political discord by undermining Mrs. Clinton and to a lesser extent Mr. Trump.

Some members of the Trump team interacted with Russians and advocated dovish policies. But so did numerous American political and academic elites, including many Clinton advisers. Presidential campaigns routinely seek opposition research and interact with foreign powers. The Clinton campaign funded the Steele dossier, whose British author paid Russians to dish anti-Trump dirt. The Podesta Group, led by the brother of Mrs. Clinton’s campaign chairman, received millions lobbying for Russia’s largest bank and the European Center for a Modern Ukraine, both with deep Kremlin ties. The Clinton Foundation and Bill Clinton took millions from Kremlin-connected businesses.

No evidence has emerged of Trump-Russia collusion, and Mr. Mueller has yet to bring collusion-related charges against anyone. Evidence suggests one of his targets, George Papadopoulos, was lured to London, plied with the prospect of Russian information damaging to Mrs. Clinton, and taken to dinner, where he drunkenly bragged that he’d heard about such dirt but never seen it. These circumstances not only fail to suggest Mr. Papadopoulos committed a crime, they reek of entrapment. The source of this information, former Australian diplomat Alexander Downer, admits Mr.

Papadopolous never mentioned emails, destroying any reasonable inference of a connection between the DNC hack and the Trump campaign.

Crossfire's progenitors thus ignored an obvious question: If Russia promised unspecified dirt on Mrs. Clinton but never delivered it, how would that amount to collusion with the Trump campaign? If anything, such behavior suggests an attempt to entice and potentially embarrass Mr. Trump by dangling the prospect of compromising information and getting his aides to jump at it.

Given the paucity of evidence, it's staggering that the FBI would initiate a counterintelligence investigation, led by politically biased staff, amid a presidential campaign. The aggressive methods and subsequent leaking only strengthen that conclusion. If the FBI sincerely believed Trump associates were Russian targets or agents, the proper response would have been to inform Mr. Trump so that he could protect his campaign and the country.

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On Aug. 29, 2016, the New York Times published a letter to Mr. Comey from Senate Minority Leader Harry Reid, saying he'd learned of "evidence of a direct connection between the Russian government and Donald Trump's presidential campaign," which had "employed a number of individuals with significant and disturbing ties to Russia and the Kremlin." On Aug. 30, the ranking Democratic members of four House committees wrote a public letter to Mr. Comey requesting "that the FBI assess whether connections between Trump campaign officials and Russian interests" may have contributed to the DNC hack so as "to interfere with the U.S. presidential election." On Sept. 23, Yahoo News's Michael Isikoff reported the Hill briefings and the Steele dossier's allegations regarding Carter Page. On Oct. 30, Harry Reid again publicly wrote Mr. Comey: "In my communications with you and other top officials in the national security community, it has become clear that you possess explosive information about close ties and coordination between Donald Trump, his top advisors, and the Russian government."

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Mr. Rivkin and Ms. Foley practice appellate and constitutional law in Washington. He served at the Justice Department and the White House Counsel's Office during the Reagan and George H.W. Bush administrations. She is a professor at Florida International University College of Law.

Appeared in the June 23, 2018, print edition.

Best,

Andrew

Andrew Grossman
Partner

BakerHostetler

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Washington, DC 20036-5304
T [redacted]
[redacted]
bakerlaw.com

From: "Rivkin, David" <[redacted]n>
Date: Friday, June 22, 2018 at 7:50 PM
To: "Grossman, Andrew M" <[redacted]n>
Subject: <no subject>

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 6/23/2018 4:01:37 PM
To: Kathy Ruemmler [redacted]
Subject: Fwd: Re:
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By

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June 22, 2018 6:38 p.m. ET

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Appeared in the June 23, 2018, print edition.

Best,

Andrew

Andrew Grossman
Partner

BakerHostetler

Washington Square
1050 Connecticut Ave, N.W. | Suite 1100
Washington, DC 20036-5304
[redacted]
bakerlaw.com

From: "Rivkin, David" <[redacted]>
Date: Friday, June 22, 2018 at 7:50 PM
To: "Grossman, Andrew M" <[redacted]>
Subject: <no subject>

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Sent: 6/23/2018 5:25:33 PM
To: Kathy Ruemmler [[redacted]]
Subject: Re: Fwd: Re:

exactly my view. on facebook I thought you might look at the recent internet and privacy opinions and pose some open questions. to be discussed . mark wants to bring the internet to the rest of the world. . and healthcare . . his wife is nice but boring. . what do you see as the challegnes what does she or he see. . social

On Sat, Jun 23, 2018 at 7:11 PM, Kathy Ruemmler <[redacted]> wrote:

> Yawn. And David Rivkin is a hack. Zero — and I mean zero — chance that a court would find a due process violation on these facts. Fruit of the poisonous tree doctrine does not apply.
>
> On Jun 23, 2018, at 12:01 PM, jeffrey E. <jeevacation@gmail.com> wrote:
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The report highlights the FBI's failure to act promptly upon discovering that Anthony Weiner's laptop contained thousands of Mrs. Clinton's emails. Investigators justified the delay by citing the "higher priority" of Crossfire. But Mr. Horowitz writes: "We did not have confidence that Strzok's decision to prioritize the Russia investigation over following up on [the] investigative lead discovered on the Weiner laptop was free from bias."

Similarly, although Mr. Horowitz found no evidence that then-FBI Director James Comey was trying to influence the election, Mr. Comey did make decisions based on political considerations. He told the inspector general that his election-eve decision to reopen the Clinton email investigation was motivated by a desire to protect her assumed presidency's legitimacy.

The inspector general wrote that Mr. Strzok's text messages "created the appearance that investigative decisions were impacted by bias or improper considerations." The report adds, importantly, that "most of the text messages raising such questions pertained to the Russia investigation." Given how biases ineluctably shape behavior, these facts create a strong inference that by squelching the Clinton investigation and building a narrative of Trump-Russia collusion, a group of government officials sought to bolster Mrs. Clinton's electoral chances and, if the unthinkable happened, obtain an insurance policy to cripple the Trump administration with accusations of illegitimacy.

What does this have to do with Mr. Mueller, who was appointed in May 2017 after President Trump fired Mr. Comey? The inspector general concludes that the pervasive bias "cast a cloud over the FBI investigations to which these employees were assigned," including Crossfire. And if Crossfire was politically motivated, then its culmination, the appointment of a special counsel, inherited the taint. All special-counsel activities—investigations, plea deals, subpoenas, reports, indictments and convictions—are fruit of a poisonous tree, byproducts of a violation of due process. That Mr. Mueller and his staff had nothing to do with Crossfire's origin offers no cure.

When the government deprives a person of life, liberty or property, it is required to use fundamentally fair processes. The Supreme Court has made clear that when governmental action "shocks the conscience," it violates due process. Such conduct includes investigative or prosecutorial efforts that appear, under the totality of the circumstances, to be motivated by corruption, bias or entrapment.

In *U.S. v. Russell* (1973), the justices observed: "We may someday be presented with a situation in which the conduct of law enforcement agents is so outrageous that due process principles would absolutely bar the government from invoking judicial processes to obtain a conviction." It didn't take long. In *Blackledge v. Perry* (1974), the court concluded that due process was offended by a prosecutor's "realistic likelihood of 'vindictiveness' " that tainted the "very initiation of proceedings." In *Young v. U.S. ex rel. Vuitton* (1987), the justices held that because prosecutors have "power to employ the full machinery of the state in scrutinizing any given individual . . . we must have assurance that those who would wield this power will be guided solely by their sense of public responsibility for the attainment of justice." Prosecutors must be "disinterested" and make "dispassionate assessments," free from any personal bias.

In *Williams v. Pennsylvania* (2016), the court held that a state judge's potential bias violated due process because he had played a role, a quarter-century earlier, in prosecuting the death-row inmate whose habeas corpus petition he was hearing. The passage of time and involvement of others do not vitiate the taint but heighten "the need for objective rules preventing the operation of bias that might otherwise be obscured," the justices wrote. A single biased individual "might still have an influence that, while not so visible . . . is nevertheless significant."

In addition to the numerous anti-Trump messages uncovered by the inspector general, there is a strong circumstantial case—including personnel, timing, methods and the absence of evidence—that Crossfire was initiated for political, not national-security, purposes.

It was initiated in defiance of a longstanding Justice Department presumption against investigating campaigns in an election year. And while impartiality is always required, a 2012 memo by then-Attorney General Eric Holder emphasizes that impartiality is "particularly important in an election year," and "politics must play no role in the decisions of federal prosecutors or investigators regarding any investigations. . . . Law enforcement officers and prosecutors may never select the timing of investigative steps or criminal charges for the purpose of affecting any election, or for the purpose of giving an advantage or disadvantage to any candidate or political party."

Strong evidence of a crime can overcome this policy, as was the case with the bureau's investigation of Mrs. Clinton's private email server, which began more than a year before the 2016 election. But Crossfire was not a criminal investigation. It was a counterintelligence investigation predicated on the notion that Russia could be colluding with the Trump campaign. There appears to have been no discernible evidence of Trump-Russia collusion at the time Crossfire was launched, further reinforcing the notion that it was initiated "for the purpose" of affecting the presidential election.

The chief evidence of collusion is the hacking of the Democratic National Committee's servers. But nothing in the public record suggests the Trump campaign aided that effort. The collusion narrative therefore hinges on the more generic assertion that Russia aimed to help Mr. Trump's election, and that the Trump campaign reciprocated by embracing pro-Russian policies. Yet despite massive surveillance and investigation, there's still no public evidence of any such exchange—only that Russia attempted to sow political discord by undermining Mrs. Clinton and to a lesser extent Mr. Trump.

Some members of the Trump team interacted with Russians and advocated dovish policies. But so did numerous American political and academic elites, including many Clinton advisers. Presidential campaigns routinely seek opposition research and interact with foreign powers. The Clinton campaign funded the Steele dossier, whose British author paid Russians to dish anti-Trump dirt. The Podesta

Group, led by the brother of Mrs. Clinton's campaign chairman, received millions lobbying for Russia's largest bank and the European Center for a Modern Ukraine, both with deep Kremlin ties. The Clinton Foundation and Bill Clinton took millions from Kremlin-connected businesses.

No evidence has emerged of Trump-Russia collusion, and Mr. Mueller has yet to bring collusion-related charges against anyone. Evidence suggests one of his targets, George Papadopoulos, was lured to London, plied with the prospect of Russian information damaging to Mrs. Clinton, and taken to dinner, where he drunkenly bragged that he'd heard about such dirt but never seen it. These circumstances not only fail to suggest Mr. Papadopoulos committed a crime, they reek of entrapment. The source of this information, former Australian diplomat Alexander Downer, admits Mr. Papadopolous never mentioned emails, destroying any reasonable inference of a connection between the DNC hack and the Trump campaign.

Crossfire's progenitors thus ignored an obvious question: If Russia promised unspecified dirt on Mrs. Clinton but never delivered it, how would that amount to collusion with the Trump campaign? If anything, such behavior suggests an attempt to entice and potentially embarrass Mr. Trump by dangling the prospect of compromising information and getting his aides to jump at it.

Given the paucity of evidence, it's staggering that the FBI would initiate a counterintelligence investigation, led by politically biased staff, amid a presidential campaign. The aggressive methods and subsequent leaking only strengthen that conclusion. If the FBI sincerely believed Trump associates were Russian targets or agents, the proper response would have been to inform Mr. Trump so that he could protect his campaign and the country.

Mr. Trump's critics argue that the claim of political bias is belied by the fact that Crossfire was not leaked before the election. In fact, there were vigorous, successful pre-election efforts to publicize the Trump-Russia collusion narrative. Shortly after Crossfire's launch, CIA Director John Brennan and Mr. Comey briefed Congress, triggering predictable leaking. Christopher Steele and his patrons embarked on a media roadshow, making their dossier something of an open secret in Washington.

On Aug. 29, 2016, the New York Times published a letter to Mr. Comey from Senate Minority Leader Harry Reid, saying he'd learned of "evidence of a direct connection between the Russian government and Donald Trump's presidential campaign," which had "employed a number of individuals with significant and disturbing ties to Russia and the Kremlin." On Aug. 30, the ranking Democratic members of four House committees wrote a public letter to Mr. Comey requesting "that the FBI assess whether connections between Trump campaign officials and Russian interests" may have contributed to the DNC hack so as "to interfere with the U.S. presidential election." On Sept. 23, Yahoo News's

Michael Isikoff reported the Hill briefings and the Steele dossier's allegations regarding Carter Page. On Oct. 30, Harry Reid again publicly wrote Mr. Comey: "In my communications with you and other top officials in the national security community, it has become clear that you possess explosive information about close ties and coordination between Donald Trump, his top advisors, and the Russian government."

That these leaking efforts failed to prevent Mr. Trump's victory, or that Mr. Comey's ham-fisted interventions might have also hurt Mrs. Clinton's electoral prospects, does not diminish the legal significance of the anti-Trump bias shown by government officials.

The totality of the circumstances creates the appearance that Crossfire was politically motivated. Since an attempt by federal law enforcement to influence a presidential election "shocks the conscience," any prosecutorial effort derived from such an outrageous abuse of power must be suppressed. The public will learn more once the inspector general finishes his investigation into Crossfire's genesis. But given what is now known, due process demands, at a minimum, that the special counsel's activity be paused. Those affected by Mr. Mueller's investigation could litigate such an argument in court. One would hope, however, that given the facts either Mr. Mueller himself or Deputy Attorney General Rod Rosenstein would do it first.

Mr. Rivkin and Ms. Foley practice appellate and constitutional law in Washington. He served at the Justice Department and the White House Counsel's Office during the Reagan and George H.W. Bush administrations. She is a professor at Florida International University College of Law.

Appeared in the June 23, 2018, print edition.

Best,

Andrew

Andrew Grossman
Partner

<image001.png>

Washington Square
1050 Connecticut Ave, N.W. | Suite 1100
Washington, DC 20036-5304

[redacted]

bakerlaw.com

<image002.png> <image003.png> <image004.png>

From: "Rivkin, David" <[redacted]>
Date: Friday, June 22, 2018 at 7:50 PM
To: "Grossman, Andrew M" <[redacted]>
Subject: <no subject>

Can you please send me WSJ op Ed. Tx

Sent from my iPhone

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Date: Thursday, August 9 2018 10:47 AM
Subject: Fwd: Our May conversation - more thoughts
From: jeffrey E. <jeevacation@gmail.com>
To: BS Stern <[redacted]>;

Hi all –

I spent some time mulling additional aspects of a third choice presidential run and wanted to run five specific attributes for a candidate by you as a group.

This much we know - the Fall elections are shaping up to be a referendum on the most divisive American President in memory. The battle for potential Supreme Court justice Brett Kavanaugh's nomination this fall will only amplify the polarity of the political debate that is already deeply overwrought on both sides. The rising tide of pressure on Donald Trump from the Mueller investigation shows no sign of ebbing.

Unless the underlying political dynamics are disrupted, the outcomes of these unprecedented events will still leave us with the same unsatisfactory two front battlefield of the 2016 Presidential election. Watching these unrelenting, compounding events since our discussion in May, I am guessing we are all asking the same question: now what? For the 48 percent of Americans who believe Donald Trump should not be in the White House, perhaps we too want our own "chaos" candidate in 2020?

Should Trump run again, this could be a "break glass" moment for the majority of Americans who don't support him. Do we want to break the genteel precedents of two parties running their ceremonious and seemingly illogical nominating process to select a candidate? (Why do Iowa and New Hampshire play such outsized roles? What kind of small-d democratic process relies on superdelegates?) The system failed in 2016, with both parties producing terribly flawed candidates in a race to the bottom. We need to build a back-up plan in the event the system fails again.

It's possible, of course, that we won't need a third-party candidate. Trump could decide not to run for whatever reason. The Democrats could nominate a winning 2020 candidate. I am not willing to take those bets.

The ideal candidate for a new third party is someone who is widely perceived to be that rare combination of both good *and* great. We are looking for a proven leader of men and women, someone with clear, democratic – and moral – values that reflect the best of America, not our worst. We know people like this on the national stage now.

As a thought experiment, consider the possibilities of a ticket outside the partisan lanes and imagine the chemistry of radical combinations: Biden/Romney? Bill Gates/Hogan? Bloomberg/Haley? Howard Schultz/Bob Corker? Sandberg/Kasich?

As we have discussed narrow path to electing the first president outside the two major party primary system in 168 years is more navigable than most think. Heading into 2020, converging trends in American's demands for a third party (a historic high of 61%), disapproval of Donald Trump holding steady above 50%, and the increasingly leftward drift of the Democratic Party suggest that electorate may be susceptible to merits of a new centrist party. Cynics will say that the structural impediments of ballot and presidential debate access, the overwhelming advantages of legacy parties' fundraising and voter turn-out operations preordain failure, but they're wrong; the legal and logistical hurdles are amenable to a combination of lawyering and resources. The bigger, more consequential factors come in terms of candidate quality and policy. I believe a candidate with five specific characteristics including a unique – and purposefully non-specific - policy agenda could limbo a win.

- This is what I think a successful third-party candidate looks like; a dream third party ticket would start off with enough name ID to be an instant contender. Building the name ID to run nationally is just too long and expensive of a process to accomplish in the 28 months until the next presidential election. We can't beat a celebrity without some celebrity of our own, whether from politics, sports, business, or entertainment. Instantaneous name ID is so crucial because the candidate must start out in striking distance in any three-way poll against Trump and a fill-in-the-blank Democratic flavor-of-the day candidate. The media and political class will predetermine irrelevance otherwise.

- A Democrat-leaning candidate would *have* to top the ideal third-party ticket. We need someone with a shot at snaking a plurality of the vote in the blue states Hillary Clinton won (227 electoral votes), but moderate enough to win a plurality in some combination of Trump states like Florida, Pennsylvania, Wisconsin and Michigan (another 119 votes). The right candidate may even to put North Carolina, Ohio, Indiana in play for a centrist bi-partisan ticket as well (totaling an electoral sweep of 464 elector votes). A right leaning candidate would meet the same fate as a primary challenger to Trump – for all intents and purposes we need to assume that 36% of voters won't be cleaved from Trump under any circumstances and run to win around them. The deep red states would be off the table entirely.

- With the Trump reality show airing daily, voters are now expecting to take their politics with a side of entertainment. Heretofore, ratings will matter no matter how dry the policy topic. Surely Stephen Colbert would gladly sacrifice his executive producer Chris Licht to produce a daily comedic segment of this dream candidate interviewing Americans in truck stops and McDonald's across the country. A few of the "Saturday Night Live" script writers could certainly be enticed to disguise serious debates as informative amusement. Any candidate must be committed to a near daily cadence of high quality, compelling video production. It will be especially crucial to keep the voters' attention during what will be a raucous Democratic primary season. Rules governing access to the general election debate stage dictate that a candidate enjoy support of at least 15% of voters in the months leading up to the general election.

- This dream candidate would pledge to serve only four years and address all of the U.S.'s ticking time bombs like Social Security, Medicare, health care reform, climate change, money in politics, gerrymandering, and infrastructure investment in a single term. This one-and-done term decouples our candidate from the usual politics and gives them the power of promise and deliver decisive action. A four-year term pledge ensures governance independent of campaign finance concerns and narrow special interests inherent to winning re-election. This “fix-it” ticket would promise to force decisions on all the underlying structural policy matters damaging America’s long-term prospects and distorting our democracy. No more kicking the can down the road.

- This candidate should also pledge to push for laws passed that reflect the will of simple majorities in Congress. Congress now only allows bills to move forward when a “majority of a majority” supports the policy and on many levels seems fundamentally broken. This third-party president could force votes based on a transparent reading of where the votes lie via coalition building. The Senate filibuster power will present a high hurdle, but a third-party candidate would be a de facto disruptor of the two-party system. Party discipline could well break down, and moderates in both parties could form a powerful, decisive block willing to work with the new President. The policies passed into law may not be ideal for either Democrats or Republicans, but for the major agenda items that must be addressed for America’s long-term health, an imperfect fix that corrects course is better than those that now have us hurtling toward national bankruptcy.

And if no candidate secures 270 electoral votes in 2020? The House of Representatives would choose the next president. In 2016, reports suggested Michael Bloomberg declined to run on a third-party ticket for fear of splitting support from Hillary Clinton and throwing the election to a GOP-controlled House of Representatives who would then vote to select the president. The fear was the GOP controlled House would have just elected Trump.

Would Democratic control of the House mean that the House would pick an alternative to Trump as president? Each state delegation has a single vote in selecting a president and it is the incoming Congress - the class elected in 2020 that would decide the election. But no matter which party has the speaker’s chair, the GOP would almost certainly have the upper hand in the majority of state delegations controlled. Would the state delegations pick a president based on party majority control of the delegation, the winner of the popular vote in each state or their own calculations as to who is best for America? Precedent suggests that delegations use secret ballots, which means individual lawmakers may vote their consciences.

If we recruit this ideal candidate; threading the needle of name ID, a center-left bent, a TV-savvy campaign team and a pledge to serve only four years with an apartisan agenda, money and campaign expertise would certainly follow. And 50 state ballot access is a function of time (starting in the fall of 2019 would be prudential) and hard work as we have discussed and many of you have exhaustively war-gamed.

Part and parcel of this effort would be motivating the often politically lackadaisical middle to vote. The raft of new technologies in data targeting and biometric mobile voting technology could transform the electorate in the next few, amping voter participation and injecting the voices of moderates (both in political views and level of political interest) into the process. And any third-party effort must incorporate advocacy for accelerated adaption of these all but inevitable voter verification tools. I believe Silicon Valley could be game-changing allies in this effort.

I am sure none of us doubt that chaos could potentially be unleashed by jamming three viable candidates into a two-party system. An election that ends up in the House of Representatives is an uncontrollable, murky and ancient process. But might that be a less scary prospect than relying on the Democrats to nominate a candidate who can beat Trump in 2020?

I look forward to talking more about all of our ideas on this hopeful project in coming weeks. Please feel free to call me to discuss. Thank you for taking time to review this note.

Sincerely,

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 8/23/2018 3:16:47 PM
To: Kathy Ruemmler [redacted]
Subject: Re: NYTimes: Donald Trump’s High Crimes and Misdemeanors

you see , i know how dirty donald is. my guess is that non lawyers ny biz people have no idea. what it means to have your fixer flip

On Thu, Aug 23, 2018 at 11:13 AM, Kathy Ruemmler <[redacted]> wrote:

> It makes no difference whether it was his money. Issue is failure to disclose. Plus, fact that he has lied his ass off about it makes clear that he knew it was illegal.
>
> On Aug 23, 2018, at 11:03 AM, jeffrey E. <jeevacation@gmail.com> wrote:
>
> I think he makes the argument that it was his , trumps money , making it not illegal. though he also said he only found out afterwards? and the fact according to the indicment was billed as services rendered and grossed up. im sure his acct has flipped anyway. . I did talk in detail to starr yesterday re indicments how trump can make a deal (special counsel) . clintons trash can yes starr gave me more. YECHHHH! .
>
> On Thu, Aug 23, 2018 at 10:50 AM, Kathy Ruemmler <[redacted]> wrote:
>
> > Here's a story from The New York Times that I thought you'd find interesting:
> >
> > The principled case for impeachment is clear. What’s missing is the courage.
> >
> > Read More...
> >
> > Get The New York Times on your mobile device
>
> --
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From: jeffrey E. [jeevacation@gmail.com]
Sent: 8/24/2018 12:47:43 PM
To: Kathy Ruemmler [[redacted]]
Subject: Fwd: Trump @ War

---------- Forwarded message ----------
From: <[redacted]>
Date: Thu, Aug 23, 2018 at 4:25 PM
Subject: Trump @ War
To: "jeevacation@gmail.com" <jeevacation@gmail.com>

https://app.frame.io/presentations/a87092af-cb6a-473b-9241-582c03dbb906

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 9/12/2018 6:15:20 PM
To: Larry Summers [redacted]
Subject: Re: This morning

https://www.cato-unbound.org/2016/12/13/jason-mcdaniel/ranked-choice-voting-likely-means-lower-turnout-more-errors difficult to judge one way or the other. turnout , does not reflect ethnicity .? stable does not mean same. . looking at the argumnents on both sides , I would have to conclude in your words a big nothingburger

On Wed, Sep 12, 2018 at 5:01 AM, Larry Summers <[redacted]> wrote:

> More than u may want to know
> Sent from my iPhone
>
> Please direct all scheduling inquiries to my office at: [redacted]
>
> Follow me on twitter @lhsummers
> www.larrysummers.com
>
> Begin forwarded message:
>
> **From:** "Maskin, Eric" <[redacted]>
> **Date:** September 11, 2018 at 10:24:21 PM EDT
> **To:** LHS <[redacted]
> **Subject: RE: This morning**
>
> I believe there are, but don't know how careful they are. I will try to get you references.
>
> ---
>
> **From:** LHS <[redacted]>
> **Sent:** Tuesday, September 11, 2018 10:23 PM
> **To:** Maskin, Eric [redacted]
> **Cc:** lhsoffice [redacted]
> **Subject:** Re: This morning
>
> Are there empirical studies on turnout.
>
> Sent from my iPhone
>
> Please direct all scheduling inquiries to my office at: [redacted]
>
> Follow me on twitter @lhsummers
> www.larrysummers.com

On Sep 11, 2018, at 10:20 PM, Maskin, Eric <[redacted] wrote:

Yes, we can expect more extremists to run under RCV. But also more centrists (e.g., Bloomberg). Since the centrists are closer to the median voter, they will defeat the extremists.

The evidence I have seen suggests that RCV *increases* turn-out. [But it's important that voters be given the choice to rank as many or few candidates as they like, so that a voter always has the option of voting for a single candidate (in effect, he would be ranking all other candidates as tied for second). In practice, most voters choose to rank two or three candidates, but a significant fraction just rank one]

In fact the increase in the diversity of candidates under RCV is related to turn-out. If RCV had been used in 2016, Bernie Sanders could have run as an independent in the general election without fear of guaranteeing a Trump victory. Many of the Bernie supporters who stayed home on election day might then have voted---and presumably would have ranked Clinton second. This would have given her a victory over Trump in Michigan, Wisconsin, and Pennsylvania (and possibly elsewhere).

Eric

From: LHS <[redacted]>
Sent: Tuesday, September 11, 2018 7:52 PM
To: Maskin, Eric <[redacted]
Cc: lhsoffice [redacted]
Subject: Re: This morning

I get that formal argument

What about aspects not quite in model.

More folk will run from extremes if they can attract more First run votes. Candidates can position a bit.

Separately I pitched this to someone today.

He said he had heard that because of its greater complexity African American and lower income turnout was depressed. Is there evidence on turnout impacts?

Sent from my iPhone

Please direct all scheduling inquiries to my office at: [redacted]

Follow me on twitter @lhsummers

www.larrysummers.com

On Sep 11, 2018, at 6:05 PM, Maskin, Eric <[redacted]> wrote:

Hi Larry,

Thank you very much for taking the meeting this morning. I'm glad you found it worthwhile, and I agree with you that Adam Friedman's commitment to the project is impressive.

I AM serious about working on this---it's a nice opportunity to make important practical use of some interesting theory. Voting rules may seem nerdy and dry, but they can make an enormous difference to actual politics

The formal argument that RCV promotes centrism better than the current system (plurality rule) is straightforward. Suppose that most voters vote ideologically in the sense that the closer a candidate is to their own position on the left-right spectrum, the more like they are to vote for him. Then under majority rule (my favorite voting system)---in which voters rank candidates and the winner is the candidate who beats all other in pairwise comparisons----the winner will be the median voter's favorite candidate -----in other words, the most centrist candidate gets elected (this assumes that there are enough candidates running so that there is one who is reasonably close to the median voter). Now observe that RCV is in between majority rule and plurality rule, and so will promote centrism better than plurality rule.

Best wishes, Eric

From: LHS <[redacted]>
Sent: Tuesday, September 11, 2018 4:16 PM
To: Maskin, Eric [redacted]
Cc: lhsoffice [redacted]
Subject: This morning

It was fun and interesting.

I admire your friends determination.

Are you serious about working on this?

Has anyone done a full analysis of this and polarization.

Seems like on one hand it might encourage Ralph Nader cuz he d get more first round votes and not elect George bush. This might be bad.

> On other hand, gore would not have to move left to take Nader vote.
>
> If I like centrism is it clear that this is better.
>
> I get that it avoids arbitrary outcomes but assume that a tea party nut is as likely to elect a dem as a lefty is to elect et a republican.
>
> Anyway thanks for setting up.
>
> Btw I gave them 10,000.
>
> Larry
> Sent from my iPad
>
> Please direct all scheduling inquiries to my office at: [redacted]
>
> Follow me on twitter @lhsummers
> www.larrysummers.com

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From: J [jeevacation@gmail.com]
Sent: 11/5/2018 8:23:58 PM
To: Michael Wolff [[redacted]]
Subject: Re:

take photos

On Mon, Nov 5, 2018 at 8:36 PM Michael Wolff <[redacted]> wrote:

> I was thinking of opening with you and Bannon talking about Trump. Would let you sound smart and offer what I think would be a crowd-pleasing perspective, and make you seem like a credible player--former friend of Trump, advisor to world leaders, sought after person, etc--without having to too much rehash old stuff.
>
> Doesn't seem like they can win...but who knows. I'm meeting Bannon had 3 tomorrow and will stay with him until the end.
>
> On Mon, Nov 5, 2018 at 2:08 PM J <jeevacation@gmail.com> wrote:
>
>> if the republicans pull this off , steve would deserve most of the credit. . he was way out in front on this way out. . . execution not to his liking but...... on another note , what were you thinking about me in the book, with what moniker
>>
>> --
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From: J [jeevacation@gmail.com]
Sent: 5/23/2019 12:53:04 AM
To: Michael Wolff [redacted]]
Subject: Re:

Home

On Wed, May 22, 2019 at 8:24 PM Michael Wolff <[redacted]> wrote:

> Where are you tomorrow?
>
> On Wed, May 22, 2019 at 8:23 PM J <jeevacation@gmail.com> wrote:
>
>> Why had no one interviewed some of trump classmates at wharton ?   Deutsh bank papers very bery bad
>>
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From: J [jeevacation@gmail.com]
Sent: 5/23/2019 1:11:24 AM
To: Michael Wolff [redacted]]
Subject: Re:

Great

On Wed, May 22, 2019 at 8:56 PM Michael Wolff <[redacted]> wrote:

> Lunch tomorrow? Or after? I have 4:00 appt. anytime before works.
>
> On Wed, May 22, 2019 at 8:53 PM J <jeevacation@gmail.com> wrote:
>
>> Free afternoon
>>
>> On Wed, May 22, 2019 at 8:24 PM Michael Wolff <[redacted]> wrote:
>>
>>> Where are you tomorrow?
>>>
>>> On Wed, May 22, 2019 at 8:23 PM J <jeevacation@gmail.com> wrote:
>>>
>>>> Why had no one interviewed some of trump classmates at wharton ? Deutsh bank papers very bery bad
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From: Terry Kafka [[redacted]]
Sent: 8/19/2013 8:34:18 PM
To: Mark L. Epstein [[redacted]]; Jeffery Edwards [jeevacation@gmail.com]; 'Warren Eisenstein' [[redacted]]
CC: Mark Albert[redacted] Janet Kafka [[redacted]]
Subject: FW: shortest books of all time

Importance: High

From: [redacted] [[redacted]]
Sent: Monday, August 19, 2013 12:25 PM
To: terry@impactoutdoor.com
Subject: Re: shortest books of all time

Now that is really funny!!!

On Aug 19, 2013, at 7:53 AM, [redacted] wrote:

Sent via BlackBerry by AT&T

From: Joel Dunn <[redacted]>
Date: Mon, 19 Aug 2013 07:35:50 -0700 (PDT)
To: Nicholas Gahhos<[redacted]>; John Stepek<[redacted]>; Ed Hammer<[redacted]>; Bob & Sandy<[redacted]>; Joe Nordgaard<[redacted]>; Terry Kafka<[redacted]>; Bridges Hague<[redacted]>
ReplyTo: Joel Dunn <[redacted]>
Subject: shortest books of all time

The Shortest Books of All Time

MY BLACK GIRLFRIENDS

By Tiger Woods

THINGS I LOVE ABOUT MY COUNTRY

By Jane Fonda and Cindy Sheehan
Illustrated by Michael Moore
Forward by George Soros

MY CHRISTIAN ACCOMPLISHMENTS AND HOW I HELPED AFTER KATRINA

By Rev Jesse Jackson & Rev Al Sharpton

THINGS I CANNOT AFFORD
By Bill Gates

THINGS I WOULD NOT DO FOR MONEY
By Dennis Rodman

THINGS WE KNOW TO BE TRUE
By Al Gore and John Kerry

HOW TO LIVE LIFE TO THE FULLEST
By Dr. Jack Kevorkian

TO ALL THE MEN WE HAVE LOVED BEFORE
By Ellen de Generes and Rosie O'Donnell

GUIDE TO DATING ETIQUETTE
By Mike Tyson

THE AMISH PHONE DIRECTORY

MY PLAN TO FIND THE REAL KILLERS
By O. J. Simpson

HOW TO DRINK AND DRIVE SAFELY
By Ted Kennedy

MY BOOK OF MORALS
By Bill Clinton
With introduction by The Rev. Jesse Jackson

My Complete Knowledge of Military Strategy
By Nancy Pelosi

THINGS I DID TO DESERVE THE NOBEL PEACE PRIZE
By Barack Obama

From: Laurie Cameron [redacted]
Sent: 9/3/2013 3:17:44 AM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: Sept 2 position
Attachments: Sept 2.nmbtemplate

Importance: High

Hi Jeffrey,

Attached please find the Sept 2 position. The realized gain increased by the $28 k option premium that resulted from the barrier level trading in USD JPY. The USD sold off vs the AUD, GBP and the NZD today. The USD rallied against the CAD and the JPY.

I have separated y t d p/l from Sept p/l so that the numbers mean more.

Hopefully the AUD will stay above .88 going into next Monday. As I write this it is approx .90, which is good. I know it's not BRL, but I think that we are realizing some good gains. In the weeks ahead volatility will likely increase as Congress considers standing behind Obama and attacking Syria. Liquidity in restricted currencies can disappear at the trader's will. I prefer that we trade liquid easily currencies at a time like this.

Laurie

ECONOMÍA
El licor servido en locales de fiestas será controlado.
Pág. 6

ECONOMÍA
La potencia asiática es tentada a controlar la economía venezolana.
Pág. 7

MUNDO
La doctrina de Barack Obama analizada por ecuatorianos.
Pág. 12

Hoy llega el sultán de Dubái para apostar por Posorja

GUILLERMO LIZARZABURO CASTRO. lizarzaburug@granasa.com.ec ■ GUAYAQUIL

Ahmed bin Sulayem se reunirá con Rafael Correa para analizar inversión en Posorja. ■ Por su viaje a Lima, **el alcalde Jaime Nebot no lo podrá recibir** en su despacho

Ya tiene inversiones portuarias en Colombia y Perú y no podría faltar, en esta zona de América Latina, la ciudad puerto más importante del Pacífico Sur: Guayaquil, donde al año llegan 1,5 millones de contenedores de 20 pies (TEU) despachados con la misma rapidez que en Europa.

El sultán de Dubái, Ahmed bin Sulayem, accionista mayoritario de la operadora portuaria número cuatro en el mundo Dubái Port World (DPW), llega hoy a Ecuador. Se reunirá con el presidente de la República, Rafael Correa, para tratar sobre una de las posibles inversiones más importantes para la ciudad, el puerto de aguas profundas en Posorja.

La cita con el alcalde de la ciudad, Jaime Nebot, quien ha defendido la construcción de esa infraestructura después de que el Gobierno, a través de la Subsecretaría de Puertos, le revocara el permiso al grupo Alinport, no se dará. *El burgomaestre estará en Lima, Perú, hasta el lunes, confirmó a EXPRESO un alto funcionario del Cabildo.*

En una carta enviada el 5 de julio de este año José Antonio Lousa, director de Inversiones del grupo Albacora -socio del puerto de aguas profundas, Alinport, junto con el grupo Nobis y Juan José Vilaseca- comunicó al alcalde Nebot su preocupación por el retiro del permiso de operación.

Según el Gobierno, esta no realizó las inversiones previstas, por lo que suspendió el permiso el 14 de junio de 2013.

El 7 de septiembre, en la cadena, el presidente Correa señaló que fue un error parar esa inversión. "Ahí la Subsecretaría (de Puertos) cometió un error -al revocarle el permiso de construcción a Alinport- "porque si yo quito la concesión es porque tengo otra alternativa, otro inversionista". Por eso anotó que va a empujar a los inversionistas así esté atrasado. "Estamos trabajando en el programa. Espera- venga esa inversión

Sultán Ahmed bin Sulayem

Nació en 1955 en el Dubái. Fue presidente de Dubái World hasta el 12 de diciembre de 2010.

De familia prominente en los negocios de Dubái al menos desde el siglo XX. El padre de Bin Sulayem fue asesor para familia del gobernante Maktoum de Dubái.

Recibió una licenciatura en Economía de la Temple University en Filadelfia, EE.UU. Se le concedió un doctorado honorario en Middlesex University en Dubái.

Participa actualmente en Seven Tides International, (inversión inmobiliaria) y en Development Company en Dubái. El 30 de mayo de 2007 se convirtió en el presidente de DP World.

Fue el primer presidente del gobierno de Dubái Jebel Ali Free Zone, fundada en 1985.

Desde la década de los 80, ha sido uno de los empresarios más destacados en Dubái, con una serie de empresas vinculadas al Gobierno. Ayudó a fundar Nakheel, una de las mayores promotoras de los Emiratos Árabes e Istithmar, ambas empresas filiales de Dubái World.

Formó parte de la junta directiva de la Corporación de Inversiones de Dubái, el emirato Fondo de Riqueza Soberana, hasta noviembre de 2009, cuando fue removido a raíz de la crisis de deuda que azotó Dubái ese año.

DPW está interesada en tomar las acciones de la naviera Maerks, que formaba parte de Alinport. Ejecutivos de la compañía mantuvieron durante ocho meses reuniones con Nebot y los otros socios de Alinport, donde se realizaron estudios sobre la nueva terminal de contenedores.

EMPRESA FUERTE. Este Diario la hora de la llegada del sultán y de la reunión con el presidente Correa, pero fuentes del sector empresarial solo confirmaron que llegará hoy, en un jet privado y será acompañado por los ejecutivos de Nobis, quienes también recibieron en las anteriores ocasiones a ejecutivos de DPW.

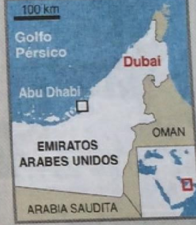
La comunicación directa para negociar la toma de un importante paquete accionario ha sido con Roberto Dunn, director ejecutivo y miembro de la Junta Directiva de Nobis.

DP World tiene una cartera de más de 65 terminales marítimas en 6 continentes, incluidos los nuevos desarrollos en marcha en la India, África, Europa, América del Sur y Oriente Medio. Maneja la terminal marítima de Callao, en Perú, y es accionista en Buenaventura, Colombia.

Los contenedores son el negocio principal de la empresa y genera más de tres cuartas partes de sus ingresos. En 2012 DP World manejó más de 56 millones de TEU. Con su línea de compromiso de los desarrollos y expansiones, se espera que la capacidad aumente a más de 100 millones de TEU en 2020. Tiene un equipo de 28.000 personas en el mundo, invierte en infraestructura y personal. Ahora espera anclar en Posorja.

ESTO ES DUBÁI

Un estado islámico rico, donde se tolera el bikini y el alcohol



■ Bill Clinton, David Beckham, Carlos Slim, Bill Gates. Hay que ser millonario para tener una propiedad en Dubái. The World es un conjunto de islotes forrados de palmeras con forma de mapamundi. Sus mansiones solo están al alcance de los ricos de Forbes. Se vendieron -año 2001- a razón de $ 15 y 45 millones.

Con los ingresos producidos por el petróleo como patrimonio familiar la dinastía Al Maktoum ha convertido su reino en un paraíso fiscal y tecnológico que atrae a sus zonas de libre comercio a las multinacionales.

Es uno de los siete emiratos que forman los Emiratos Árabes Unidos y tiene una superficie de 4.113 kilómetros cuadrados. Está en la costa del Golfo Pérsico. El entrante de agua salada del golfo atraviesa la ciudad.

Su gobierno es regido por un sistema de monarquía constitucional, encabezado por el jeque Mohamed bin Rashid Al Maktum, desde 2006.

Es un Estado islámico, pero moderado, donde se juega un torneo anual de tenis que reparte 1,4 millones en premios y donde Roger Federer ha sido campeón cinco veces y Novak Djokovic, cuatro. No impone la ley musulmana a los extranjeros y las costumbres occidentales son toleradas. Se puede beber alcohol y ver chicas en bikini.

Para el 2015 prevé tener 40 millones de turistas. En 2002 permitió por primera vez a ciudadanos extranjeros la propiedad de una casa, al menos en proyectos concretos, como The Palm. *La liberalización del mercado inmobiliario en un paraíso fiscal, como es Dubái, despertó más riqueza. Las primeras propiedades puestas a la venta en Palm Jumeirah se agotaron en dos meses. El año 2007, 780 apartamentos fueron vendidos en 48 horas.*

Con Ecuador el comercio es escaso: 2,5 millones de dólares exportados entre enero y julio de 2013.

COMUNICADO

Parlamento Andino rechaza su cierre

Los miembros del Parlamento Andino rechazaron la decisión del Consejo Andino de Ministros de Relaciones Exteriores de eliminar esa institución. Para ellos, eso "atenta contra la democracia de la región, pone en riesgo el proceso de integración, violenta el ordenamiento jurídico, así como la soberanía popular.

SUPERINTENDENTE

Ochoa recibe dos impugnaciones más

La postulación de Carlos Ochoa a la Superintendencia de Comunicación recibió más cuestionamientos El asambleísta Andrés Páez (CREO) y el ciudadano Néstor Napoleón Marroquín lo impugnaron. "Ni qué decir del requisito de idoneidad en el que Ocho tiene serias objeciones po no haber procedido con imparcialidad, neutralida ni objetividad", dijo Páez

VISITA OFICIAL

Correa irá a Bolivia el 3 de octubre

El presidente Rafael Co rrea realizará su prime visita oficial a su coleg liviano, Evo Morales, jueves 3 de octubre p fortalecer su alianza ca y discutir sobre lo safios de la integraci Correa ha estado va ces en Bolivia, pero será su primera vi carácter oficial y reciprocidad a la Morales hizo a

JUDICIAL

Detienen a pres traficante de dr

Un operativo realiz martes permitió la ción de un presunt cante internaciona tupefacientes, que calizado en el barr Abril, de Puerto B Oro. La medida fu puesta por la fisca yaquil, María Col miño, quien se tr Machala, con ele de la Unidad de Contra el Crime

Cooperating Without Looking

Moshe Hoffman,[1,2*†] Erez Yoeli,[2,3*] Martin Nowak[2]

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Harvard University, Cambridge, MA 02138
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†To whom correspondence should be addressed; E-mail: hoffman.moshe@gmail.com.

Cooperation occurs when we take on costs to help others. A key mechanism by which cooperation is sustained is reciprocity: individuals cooperate with those who have cooperated in the past. In reality, we not only condition on others' past cooperative actions, but also on the decision making process that leads to cooperation: we trust more those who cooperate without calculating the costs because they will cooperate even when those costs are high. We propose a game theory model to explain this phenomenon. In our model, player 1 chooses whether or not to cooperate with player 2. Player 1 faces a stochastic temptation to defect and, before choosing whether to cooperate, also decides whether to "look" at the realized temptation. Player 2 observes not only whether player 1 ultimately cooperated but also whether she looked, then decides

whether or not to continue interacting with player 1. We find conditions in which there is an equilibrium where player 2 chooses to interact with player 1 only if player 1 cooperates without looking (CWOL) and player 1 chooses to CWOL. We show that this equilibrium is robust to both high degrees of rationality, as modeled by subgame perfection and learning or evolutionary dynamics, as modeled by the replicator dynamic. Using computer simulations, we also show that it emerges with high frequency, even in the presence of other equilibria. Additionally, we show that the ability for player 1 to avoid looking, and the ability for player 2 to detect looking increases cooperation. We propose this model as a possible explanation for a number of interesting phenomena, and thereby derive novel predictions about these phenomena, including why we dislike "flip-flopping" politicians and respect principled people more generally, why people cooperate intuitively, and why people feel disgust when considering taboo trade-offs, and why people fall in love.

Cooperation occurs when we take on costs to help others. A key mechanism by which cooperation is sustained is reciprocity: individuals condition their behavior on others' past actions [1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14]. In reality, we not only condition on others' past actions, but also on the decision-making process that lead to cooperation: we place more trust in cooperators who do not take time to carefully weigh the costs of cooperation and who do not try to collect data on such costs before deciding whether to cooperate. For example, we are impressed by colleagues who agree to proofread a paper without thinking twice, and view with suspicion those who ask, "how long will it take?" before agreeing to attend a practice talk. Such considerations are left out of standard models of reciprocity, which only attend to cooperative actions and not the deliberation process leading up to the action.

We develop a simple model to explain why "looking" at the costs of cooperation is viewed with suspicion. The explanation we suggest is quite intuitive: those who cooperate without looking (CWOL) can be trusted to cooperate even in times when there are temptations to defect. While this insight can be captured without the need for a formal model, it is less clear that cooperators will choose to not look, since they pay a price by cooperating blindly in tempting circumstances. Moreover, the formal model, as will be seen, helps explicate when CWOL will occur as well as what difference the ability to not look and to observe others not looking will make.

We formalize this idea using what we call the envelope game (see figure 1). The envelope game distills an interaction between two individuals, or players, in an uncertain environment. Thus, we start by assuming there is a distribution of payoffs with two possibilities: one in which defection is relatively tempting, and another in which it is not. The temptation to defect is randomly determined. Defection is not tempting with probability p and tempting with probability $1-p$. Both players know how likely it is that defection is tempting. However, at this point, neither player knows size of the temptation. That is, the temptation is placed inside an envelope and the envelope is sealed without the players knowing its content. Next, we assume that one of the players, player 1, chooses whether to learn the size of the temptation, either via mental deliberation or by gathering information. We model this in a simplified way by assuming that player 1 has a dichotomous choice: she can choose to open the envelope and look inside it, or not. If she opens the envelope and looks, she learns the size of the temptation. If she does not open the envelope and look, she only knows the distribution of payoffs. Player 1 then chooses whether to cooperate or defect. We model cooperation as costly to player 1, regardless of the temptation, but more costly if the temptation is high. Thus, if the temptation is low, player 1 gets $a > 0$ if she cooperates and $c_l > a$ if she defects. If the temptation is high, she gets a if she cooperates and $c_h > c_l$ if she defects. We assume that cooperation benefits the other player, which we refer to as player 2. We assume, for simplicity, that player 2 gets $b > 0$ if 1 cooperates and $d < 0$ if 1 defects, and that these payoffs to player 2 are the same regardless of 1's temptation. For now, we also assume that $d < p/(1-p) \cdot b$; that is, defection is sufficiently harmful to player 2 that player 2 prefers to avoid the interaction if player 1 only cooperates some of the time. Finally, we model player 2's trust in player 1. We model this by giving player 2 the choice of whether to continue the interaction with player 1. If player 2 continues the interaction, then with probability w, all previous steps are repeated, potentially indefinitely. That is, the temptation to defect is randomly chosen again, player 1 chooses whether to look at it, and so on. With probability $1 - w$, the game ends. The parameter w can be interpreted as the likelihood of a future interaction or the player's discounting of future payoffs. Crucially, we assume that player 2 observes both of player 1's choices: not only whether 1 cooperated, but also whether 1 first looked. Our model, therefore, applies to situations where player 1's looking is somewhat observable, for example, if player 1 can gain additional information about the costs of defection by asking player 2 questions, or if player 1 can take time to ponder the decision and player 2 can observe player 1's reaction time. We assume that players maximize their expected payoffs. Note that since we assumed $a > 0$ and $b > 0$, both players benefit from a cooperative interaction.

In the envelope game, a strategy for player 1 dictates whether she will look and whether she will cooperate, as a function of whether she has looked and cooperated in the past, and as a function of the temptation if she has just looked. For example, one relatively simple strategy for player 1 is to look and cooperate whenever the temptation is low.

Similarly, a strategy for player 2 dictates whether he will continue or exit as a function of everything player 1 has done in the past. One relatively simple strategy for player 2 is to continue so long as player 1 has cooperated. If both players play according to this pair of strategies, each time the temptation is low, player 1 cooperates and gets a, player 2 gets b, and the game continues with probability w until the first time the temptation is high. Then, player 1 defects and gets c_h and player 2 gets d. Some straightforward calculations yield the players' expected payoffs: player 1's is $[ap + c_h(1-p)] \,/\, [1 - pw]$ and player 2's is $[bp + d(1-p)] \,/\, [1 - pw]$. Because a strategy specifies players' moves in every period and the game's length is undetermined, infinitely many possible strategies exist. We are primarily interested in the seven strategies represented in Figure 2, which shows the expected payoff for each player for each strategy pair of interest.

Of particular interest is the strategy pair designated in the top left corner of figure 2), in which player 2 discriminates between cooperators who look and those who do not look, and player 1 cooperates without looking (CWOL). The following simple argument demonstrates that this strategy pair is a Nash Equilibrium (which means no player has an incentive to unilaterally deviate) whenever $\frac{a}{1-w} \geq c_l p + c_h(1-p)$. This condition has a natural interpretation: player 1's expected temptation from defection is less than the gains from an ongoing cooperative interaction. Thus, player 1 would lose from deviating, for example by looking, because this would end the lucrative ongoing relationship, reducing player 1's payoff from an expected $\frac{a}{1-w}$ to 0. Player 2 would also lose from deviating, by choosing to exit, because when player 1 is always cooperating, she expects $\frac{b}{1-w}$ from the relationship, and exiting yields 0.

One potential concern with this equilibrium is that, since player 2 is not worse off by not attending to looking, he might not do so. This turns out to not be the case. The intuition is that if there is even a small probability player 1 looks, player 2 is better off attending to looking. In the appendix, we formalize this intuition by showing that this equilibrium is subgame perfect, a solution concept used to rule out these kinds of concerns in settings where there is a high degree of rationality [15].

We might wonder whether CWOL will emerge in a population of players who are not rational, but are evolving or learning their strategies. There are two reasons to suspect it will not emerge. First, CWOL may be susceptible to the invasion of mutants. In particular, the concern is that a player 2 mutant might arise that does not attend to whether player 1 looks, rendering looking irrelevant. This mutant's fitness is no higher or lower than the incumbent strategy, so may grow by drift. Subsequently, a player 1 mutant which looks and defects when the temptation is high would have a fitness advantage and proliferate. While the player 2 mutant would then start dying off since it would now have lower fitness than the incumbent, it is not clear that it would do so fast enough for the player 1 mutant to also die off, returning to the CWOL equilibrium. Second, CWOL may be stable but have such a small basin of attraction that it will never emerge. In particular, there are three other equilibria to consider, which can be seen in figure 2. The first is comprised of the strategy pair where player 1 always defects, and player 2 always exits (which we refer to as the ALLD equilibrium). It is a Nash Equilibrium for all parameter values. The second is the strategy pair where player 2 exits if player 1 defects, and player 1 cooperates with or without looking (we refer to this as the CWL equilibrium). It is a Nash equilibrium when $\frac{a}{1-w} \geq c_2$. In fact, there are many more Nash Equilibria, where the population mixes between different strategies.

Consequently, we employ computer simulations of the replicator dynamic to explore the evolutionary dynamics of the envelope game. The replicator dynamic is the standard model for evolutionary dynamics [16, 17, 18, 19], and also models learning dynamics such as reinforcement learning or prestige-biased imitation [20]. It describes strategies evolving over time under the assumption that the rate of reproduction within each population is proportional to the fitness relative to that type's other strategies. Since replicator dynamics cannot be solved in closed form, they must analyzed using computer simulations seeded with randomly chosen strategy frequencies. This method also requires restricting the analysis to a few strategies. Therefore, we run our replicator analysis only on the restricted set of strategies represented in figure 2. While this set of strategies is restricted, it includes the potentially destabilizing mutants discussed above.

To investigate the frequencies in which different equilibria emerge, we randomly seed the strategy frequencies many times and record the frequency of each strategy after the population has stabilized. Many mixtures of strategies are behaviorally consistent with CWOL, for example, if a large enough fraction of player 2s exit when player 1s look then no player 1s will look, even if this fraction is less than 1. Thus, we classify population frequencies as being behaviorally equivalent to ALLD, CWL, and CWOL (see appendix for details). We plot the frequencies of each of these for different values of a in figure 3 (see appendix for analogous figures for other parameters). As can be seen, CWOL emerges often when it is a Nash Equilibrium.

Next, we identify the conditions under which people will be most likely to avoid looking and detect looking amongst others. For this, we interpret the conditions under which CWOL is the only cooperative equilibrium, because, as we show in the appendix, when one allows for mutations, the CWOL equilibrium no longer emerges in dynamic simulations when both CWOL and CWL are equilibria. Recall that CWL is a Nash equilibrium if and only if $\frac{a}{1-w} \geq c_2$. This equilibrium condition has a natural interpretation: in order to sustain CWL, the long term gains to player 1 from the ongoing relationship must suffice for player 1 to cooperate even when player 1 knows the temptation is high in the current period. Contrast this with the condition that determines if CWOL is an equilibrium:

$\frac{a}{1-w} \geq c_1p + c_2(1-p)$. This equilibrium condition has a natural interpretation as well: in order to sustain CWOL, the long term gains to player 1 from the ongoing relationship must suffice for player 1 to cooperate when player 1 *expects* the temptation to *sometimes* be high. That is, not looking makes the expected–as opposed to realized–gains from defection relevant, in a sense smoothing the temptation to defection. Thus, the range where CWOL is an equilibrium and CWL is not, $c_1p + c_2(1-p) \leq \frac{a}{1-w} < c_2$, has the following interpretation: the expected temptation is low but the maximal temptation is high. In the appendix, we confirm this result using our subgame perfections analysis. We also use dynamics to show that, CWOL increases relative to CWL when we increase the maximal temptation, but hold the mean temptation constant.

We identify a second condition under which people will be most likely to avoid and detect looking by relaxing the assumption $d > \frac{p}{1-p}b$. Then, in the region where $d \leq \frac{p}{1-p}b$, there is a fourth equilibrium. It is the strategy pair where player 2 always continues if player 1 cooperates when the temptation is low, and player 1 looks and cooperates only when the temptation is low (we refer to this as the ONLYL equilibrium). In contrast, CWOL is an equilibrium for all values of d. CWOL is thus the only cooperative equilibrium in the parameter region $d > \frac{p}{1-p}b$, which has the interpretation: defection is sufficiently harmful to player 2 such that player 2 prefers to avoid the interaction if player 1 only cooperates some of the time.

Note that CWOL is an equilibrium over a wider parameter region than both CWL and ONLYL, and thus that the ability to avoid looking and to detect whether others look increases the parameter space over which cooperation is feasible. To see this, consider removing player 1's strategy which consists of not looking. Alternatively, consider removing player 2's strategy where he conditions his behavior on whether player 1 has looked. In either case, cooperation is only sustained in a Nash Equilibrium if $\frac{a}{1-w} \geq ap + c_2(1-p)$ or

$d > \frac{p}{1-p}b$. These are the same condition needed for CWL and ONLYL, respectively, and, as discussed above, these ranges is strictly smaller than the range of values over which CWOL is an equilibrium.

To summarize, CWOL can occur in equilibrium, and this equilibrium is subgame perfect, is stable, and has a sizable basin of attraction in the replicator dynamics. Moreover, we expect player 2 to prefer interacting with player 1s who do not look and player 1s to actively avoid looking when defection is harmful and the temptation to defect is usually small but sometimes huge. Finally, under these conditions, cooperation can be sustained only if player 1 can avoid looking and player 2 can observe whether player 1 looks.

While we modeled player 1 looking at the temptation to defect, we could analogously have modeled player 1 looking at the benefits to cooperating. This can be interpreted as looking to see if anyone is watching, asking what one will get, or calculating the value of the ongoing relationship. In this and some similar cases, the modifications to the model would be straightforward and analysis would be equivalent.

We now apply the model to shed light on a number of interesting phenomena, including why we dislike "flip-flopping" politicians and respect principled people more generally, why people cooperate intuitively, why people feel disgust when considering taboo trade-offs, and why people fall in love.

We trust candidates for political office whose policies are the result of their convictions and are consistent over time, and distrust those whose policies are carefully constructed in consultation with their pollsters and who "flip-flop" in response to public opinion, as caricatured by the infamous 2004 Republican presidential campaign television ad showing John Kerry wind-surfing, and tacking from one direction to another. At first glance, this seems irrational: one would think it a virtue for a politician to flexibly respond to public opinion once in office. This logic is illustrated by John Maynard Keynes' famous quote:

"When the facts change, I change my mind. What do you do, sir?" However, if policies based on conviction or consistency over time are signals that a candidate does not look at the benefits of cooperation, this is an indication that the candidate can be trusted in situations where making the decision that is right for his or her constituency comes at a large political cost. Consistent with this, opponents take every opportunity to paint candidates as flip-floppers who cannot be trusted [21]. This argument generalizes outside of politics to why we respect people who are "principled" over those who are "strategic".

People intuitively cooperate. That is, when people make decisions rapidly, they are more likely to cooperate than if they have time to deliberate. Additionally, people who cooperate make quicker decisions than those who defect [22]. The Social Heuristics Hypothesis offers one explanation for this phenomena: we adopt heuristics to avoid incurring cognitive costs associated with deliberation [23, 24, 25]. In a world with repeated interactions, it is usually worthwhile to cooperate, so individuals may adopt heuristics such as "always cooperate" or "cooperate as long a situation is not a business interaction." These same individuals, when serving as laboratory subjects, may apply these heuristics and cooperate even when it is not worthwhile to do so [22, 26].

Our model offers the following alternative explanation for intuitive cooperation. Intuitive cooperation may serve to reduce responsiveness to realized costs. Thus, others should trust intuitive cooperators more than deliberate cooperators. Since intuitive cooperators are more trustworthy, this may lead people to evolve or learn to become intuitive cooperators. Note that this explanation suggests that intuitive cooperation may be an optimal response to others' ability to detect deliberation, and not, as a heuristic is, an attempt to avoid cognitive costs. For this explanation to be sensible, it must be the case that whether or not a decision is made intuitively or deliberatively is detectable. In fact, it is: deliberative decision making leads to slower reaction time, as well as increased pupil size and heart rate [27], and sometimes blushing or stammering [28]. In contrast to the Social Heuristics Hypothesis, our model also predicts that decisions related to cooperation are more likely to be intuitive than other decisions that are similarly usually worthwhile, and that intuitive cooperators are trusted more than reflective cooperators. To our knowledge, neither of these predictions has been tested yet.

People dislike considering trade-offs related to "sacred values" [29]. Sacred values are values such as love, liberty, honor, justice, or life, that people treat "as possessing transcendental significance that precludes comparisons, trade-offs, or indeed any mingling with secular values" [29]. While there is variation in what societies consider sacred, virtually all societies have a concept of sacredness [29]. Sacred values are so strongly imbued in us that we do not find them puzzling prima fascia, yet their existence and origin remains poorly understood. What makes us treat some values as sacred and what differentiates these values from secular values like free time or money that we more readily trade off?

Our model provides one possible explanation. People who calculate costs of trading off against sacred values are less trustworthy when it comes to safeguarding these values than people who consider them sacred and would never calculate the costs of trading off against them. Responding with disgust to these "taboo trade-offs" may be one way to prevent us from interacting with people who make such trade offs and hence are less trustworthy, and may also be a way to signal to others that we ourselves would not consider, and therefore make, such trade-offs. Consistent with CWOL, it is taboo to consider the trade-off even if one ultimately makes the right choice, and the longer the trade-off is considered for, the harsher the judgement by observers [29]. As with intuitive cooperation, if people who refuse to consider taboo trade-offs are seen as more trustworthy, this may lead people to evolve or learn to abide by these taboos. If CWOL indeed underlies the phenomena of taboo trade-offs, then it provides a novel prediction: taboo trade-offs will prevail precisely in situations where there is large but infrequent temptation to defect and defection is harmful, such as selling a child, betraying a country, or sleeping with someone for a million dollars. It remains to be shown that taboo trade-offs demonstrate this characteristic. It also provides an important policy prescription regarding policies forbidding taboo trade-offs, for example, the ban on euthanasia: such policies are socially suboptimal, since the benefits of cooperating without looking accrue to the individuals who advocate them, but the costs are borne by society.

Finally, our model offers an explanation for emotions such as love, and can thus be thought of as a formalization of Frank (1988). Love has the property that we behave altruistically towards our partners regardless of what temptations arise [30], as illustrated by the wedding vow, “for better or for worse, for richer, for poorer, in sickness and in health.” For example, love causes individuals to ignore other potential mates, even if those mates are better than one’s current mate, as Shakespeare’s Juliet did when her love for Romeo led her to rebuff the advances of the otherwise-more-suitable Paris.

Why does love have this property? Our model suggests that those in love will more often be chosen as long-term partners. If this argument in fact underlies love, then it is crucial that love is observable, and that it necessarily cannot be displayed while still attending to costs. There is evidence consistent with this: related emotions are observable [31], cannot be faked [32], and are relied upon by partners when choosing whether to cooperate [33]. There is also reason to believe love and related emotions would be hard to fake, given their autonomic origins, and the costs of placing their activation under conscious control [30, 28]. However, it remains to be shown that love in particular has these attributes, and that it cannot be displayed while attending to costs.

Our formalism adds novel insights to Frank’s argument about love. First, our model clarifies that falling in or out of love depends on the distribution of temptations, but not their immediate realizations. This suggests people will fall out of love when there is a permanent change in alternative mating opportunities or relationship costs, but not a one-off temptation. For example, a man may fall out of love with his wife after becoming unexpectedly successful, as many more women will be now be interested in him than he anticipated when they first met. Second, the model clarifies that love comes with a cost–the cost of ignored temptations–and suggests that this cost must be compensated with commensurate investment in the relationship. Only sometimes is it worthwhile for the recipient of love to compensate a suitor, which explains why people actively avoid the strong affections of those with whom they do not wish to have long-term relationships. Third, our model clarifies why mere discussions of the costs and benefits of a relationship or a break-up, for example, suggesting a prenuptial agreement, damage the relationship. Such discussions indicate that one is looking at the costs of the relationship and cast doubt on one's commitment.

These arguments extend to anger. Anger can be thought of as "punishing without looking". It prevents people from looking at the costs of inflicting harm on others after a transgression, thereby deterring future transgressions.

Acknowledgments

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Figure 1: The Envelope Game

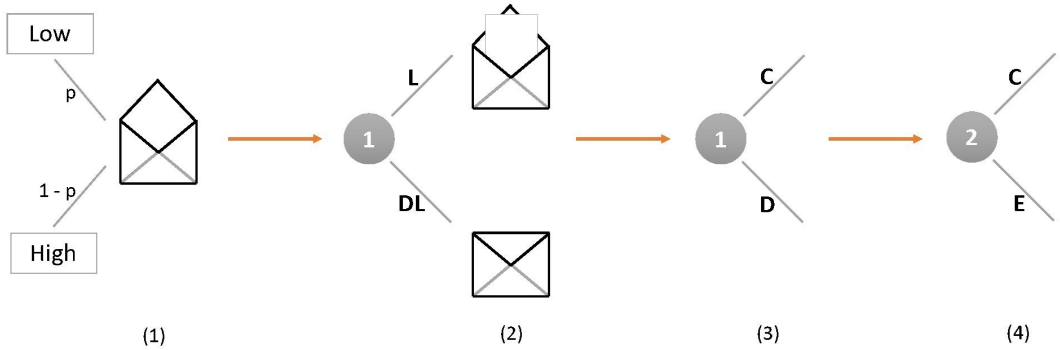
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Figure 2: Payoffs for a Restricted Set of Strategies in the Envelope Game

	Player 2		
Player 1	Continue if Player 1 Cooperates Without Looking	Continue if Player 1 Cooperates	Always Exit
Cooperate Without Looking	$\frac{a}{1-w}, \frac{b}{1-w}$	$\frac{a}{1-w}, \frac{b}{1-w}$	a, b
Cooperate With Looking	a, b	$\frac{a}{1-w}, \frac{b}{1-w}$	a, b
Look and Cooperate Only When Temptation is Low	$ap + c_h(1-p), bp + d(1-p)$	$\frac{ap+c_h(1-p)}{1-pw}, \frac{bp+d(1-p)}{1-pw}$	$ap + c_h(1-p), bp + d(1-p)$
Always Defect	$c_l p + c_h(1-p), d$	$c_l p + c_h(1-p), d$	$c_l p + c_h(1-p), d$

Figure 3: Learning Dynamics of the Envelope Game

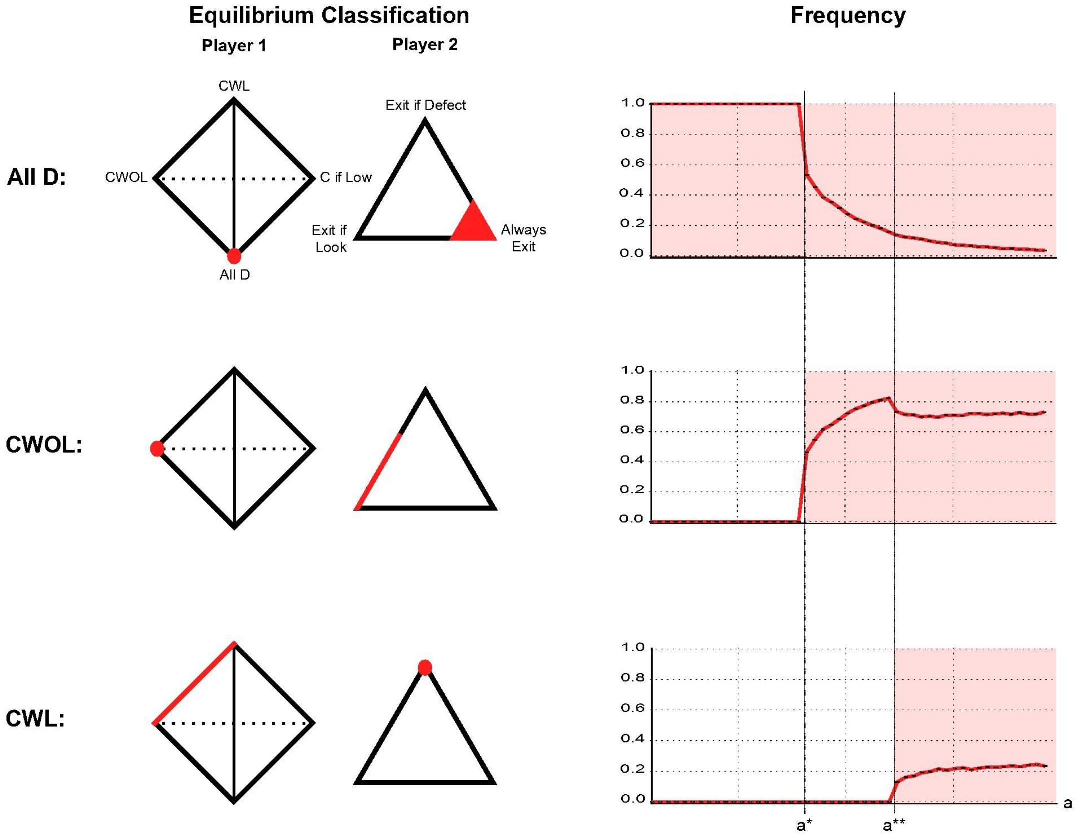

Figure Legends

Figure 1: The Envelope Game

We model non-strategic cooperative behavior using what we call the envelope game. (a) Column 1: The game begins when the temptation to defect is randomly chosen, as indicated by a notice randomly being placed in the envelope. The temptation to defect is low with probability p and high with probability $1 - p$. Column 2: Then, player 1 chooses whether to look (open the envelope) or not. Column 3: Player 1 then chooses whether to cooperate or defect. Player 1 may only condition her action on the realized temptation determined in column 1 if she looked. Each time player 1 cooperates, then, regardless of whether player 1 looked, player 1 gets $a > 0$ and player 2 gets $b > 0$. Each time player 1 defects, her payoffs depend on whether defection was tempting. If it was not tempting, player 1 gets $c_l > a$ and if it was tempting, player 1 gets $c_h > c_l$. In either case, each time player 1 defects, player 2 gets $d < 0$. Column 4: Player 2, having observed both of player 1's choices, chooses whether to continue or exit. If player 2 continues, with probability w, all previous steps are repeated, potentially indefinitely.

Figure 2: Payoffs for a Restricted Set of Strategies in the Envelope Game

This table presents the payoffs for the restricted set of strategies used for the replicator analysis. Player 1's strategies are presented in separate rows, and player 2's strategies are presented in columns. The payoffs presented in the intersection of a given row and column are those that the players receive if they play the corresponding strategies. For example, consider what happens if player 1 looks and cooperates only if the temptation is low (penultimate row) and player 2 repeats continues when player 1 cooperates (middle column). Then, player 1's expected payoff is $[ap + c_h(1-p)]\,[1-pw]$ (the first entry in the corresponding cell) and player 2's is $[bp + d(1-p)]\,[1-pw]$ (the second entry in the same cell; for details of calculations leading to payoffs, see appendix). This calculation is the result of the following logic: each time the temptation is low, player 1 cooperates and gets a, player 2 gets b, and the game continues with probability w until the first time the temptation is high. We refer to the strategy where player 1 cooperates without looking (top row) as CWOL. We also refer to the strategy pair where player 1 CWOLs and player 2 continues if player 1 CWOLs (first column) as CWOL. We refer to the strategy pairs where player 1 cooperates with or without looking and player 2 continues if player 1 cooperates (first and second row, and middle middle column) as CWL. We refer to the strategy pair where player 1 always defects and player 2 always exits (bottom row and rightmost column) as ALLD. ALLD is always an equilibrium of the envelope game. CWOL is an equilibrium if $a/(1-w) > c_l p + c_h(1-p)$. CWL is an equilibrium if $a/(1-w) > c_h$. This region is a subset of the region for which CWOL is an equilibrium.

Figure 3: Learning Dynamics of the Envelope Game

We apply the replicator dynamic to the envelope game restricted to the strategies represented in figure 2. The replicator dynamic describes strategies evolving over time under the assumption that the rate of reproduction within each population is proportional to the fitness relative to that type's other strategies. The replicator dynamic also models learning dynamics such as reinforcement learning or prestige-biased imitation. We run 1000 time series with randomly seeded strategy frequencies for a range of values of a, and record the frequency with which they stabilize in one of the strategy pairs identified in figure 2, or in a behaviorally equivalent equilibrium, as presented in the simplexes. We vary the value of a along the x-axis. The y-axis represents frequencies, and each colored line presents the frequency of the strategy pair. The parameter region where the strategy pair is supported as an equilibrium is shaded in light red. CWOL is supported as an equilibrium in the region $a \geq a^* = (1 - w) \cdot [c_l p + c_h(1 - p)]$, and emerges often in this parameter region. CWL is supported as an equilibrium in a strictly smaller parameter region, $a \geq a^* = (1 - w) \cdot c_h$. Neither CWOL nor CWL emerge in the parameter regions where they are not supported in equilibrium.

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39 DTR GG-3

Carried Interest

Camp's Tax Plan Hits Wall Street With Change in Carried Interest Treatment

By Brett Ferguson

Investment fund managers would take a hit on their tax bills under House Ways and Means Committee Chairman Dave Camp's (R-Mich.) proposal to dramatically reshape the treatment of carried interest income.

Under current law, the share of long-term investment gains that fund managers are allowed to keep for themselves as compensation is treated as capital gains and taxed at about half the rate of ordinary income. President Barack Obama has called for that income, known as carried interest, to be taxed at ordinary income tax rates, saying the payments are more like income from a service performed than a return on investment.

Camp, while taking a softer line than the president, says he agrees.

"A partnership (e.g., private equity fund) that is in the business of raising capital, investing in other businesses, developing such businesses, and ultimately selling them, is in the trade or business of selling businesses. The businesses bought and sold by the partnership are its inventory," according to a detailed summary of Camp's proposal.

The summary said to apply the tax law consistently, the profits derived by such an investment partnership and paid to its managing partners through management fees and a profits interest in the partnership should be treated as ordinary income.

But the Camp proposal also takes into account the technicalities of such businesses, excluding partnerships engaged in the real estate business, and applying a recharacterization formula to partners earning carried interest to take into account any share of invested capital they may own.

According to the proposal, an applicable partnership interest would include any interest transferred, directly or indirectly, to a partner in connection with the performance of services by the partner, provided that the partnership is engaged in a trade or business conducted on a regular, continuous and substantial basis consisting of raising or returning capital, identifying, investing in, or disposing of other trades or businesses, and developing such trades or businesses.

Recharacterization Formula Applied

The recharacterization formula "generally would treat the service partner's applicable share of the invested capital of the partnership as generating ordinary income by multiplying that share by a specified rate of return (the Federal long-term rate plus 10 percentage points), intended to approximate the compensation earned by the service partner for managing the capital of the partnership," the proposal said.

Under the plan, the recharacterization amount would be determined, but not realized, on an annual basis and tracked over time.

"To the extent a service partner contributes capital to the partnership, the result would be less capital gain being characterized as ordinary income. Any distribution or gain from the sale of a partnership interest (i.e., a realization event) then would be treated as ordinary to the extent of the partner's recharacterization account balance for the tax year. Amounts in excess of the recharacterization account balance would be capital gain," the proposal said.

In a Feb. 25 article written for the Wall Street Journal, Camp said the proposal "can clean up provisions like 'carried interest' that allow certain private-equity firms to get the investment-income tax rate on what anyone else would call normal wage income."

Benchmark for Future Bills?

The carried-interest proposal comes on top of a Camp plan to impose a tax on the assets of the largest U.S. banks and insurers. Even though his plan faces long odds in Congress this year, the proposal will become a benchmark for tax policy.

Under current law, carried interest, or the profits share received by private equity managers, gets treated as capital gains, with a top basic rate of 20 percent as opposed to the ordinary income rate of 39.6 percent.

Obama and other Democrats have been trying since 2007 to change that law with little success. Camp is wrapping a change to carried interest inside a reconstruction of the tax code that would lower tax rates and broaden the tax base.

Steve Judge, president and chief executive officer of the Private Equity Growth Capital Council, an industry trade group, said Camp's proposal was "disappointing."

"Key policy makers from both parties have already made clear that the discussion around this draft proposal will be brief," Judge said in a statement Feb. 25. "Nevertheless, Chairman Camp's proposal penalizes long-term capital investment, which he and other members of the House Ways and Means Committee have purported to support."

With assistance from Richard Rubin in Washington.

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For More Information

Texts of the discussion draft and the section-by-section summary are in TaxCore.

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MARKETS

U.S. Private-Equity Tax Change Doubtful This Year, Says Carlyle Co-Founder

Suggested Reform Could Increase Taxes on Private-Equity Profits

By MIKE SPECTOR

Feb. 26, 2014 5:06 a.m. ET

BERLIN— Carlyle Group LP co-founder David Rubenstein said U.S. lawmakers are "unlikely" to take up legislation this year that could potentially increase taxes on deal profits reaped by private-equity managers.

Mr. Rubenstein's comments came after the chairman of the U.S. House Ways and Means Committee, Republican Dave Camp of Michigan, said Congress should "clean up" the treatment of private-equity firms' share of deal profits, called "carried interest." These profits are currently treated as capital gains and taxed at a lower rate than ordinary income.

"We can clean up provisions like carried interest that allow certain private-equity firms to get the investment-income tax rate on what anyone else would call normal wage income," Mr. Camp said in an opinion piece published on Wednesday in The Wall Street Journal outlining a series of tax-reform proposals.

More from SuperReturn Conference
- **TPG 'Contemplating' Going Public**
- **Apollo Weighs Investing in Debt**
- **Kravis Warns on Debt Levels**

But Mr. Rubenstein, often viewed by private-equity watchers as an authority on national politics since his firm is based in Washington, said various factors would likely prevent any measures affecting buyout firms from taking hold any time soon.

Montana Democrat Max Baucus, previously the chairman of the Senate Finance Committee, was just confirmed as the U.S. ambassador to China, lowering the chances that chamber will take up such legislation, Mr. Rubenstein said. In addition, a term limit will force Mr. Camp to relinquish his committee chairmanship in the House next year, he said.

"It's unlikely that will get into law," Mr. Rubenstein said of Mr. Camp's proposal before an audience at the SuperReturn International private-equity conference in Germany's capital. "I don't think there is likely to be any tax reform legislation passed by this Congress at all."

Private-equity firm managers, including Mr. Rubenstein and founders of other large buyout firms, have argued that carried interest they receive after investing in a company and later selling it should be treated as a capital gain. Proponents of taxing these profits at a higher rate contend the money is compensation for services private-equity managers render when working on companies they take private.

The carried interest debate bubbled up in the wake of the recession and financial overhaul law later taken up on Capitol Hill. But the issue so far hasn't been addressed in any legislation passed by Congress and for the most part hasn't gained traction amid other issues lawmakers are tackling. Still, many leading private-equity managers expect at some point to receive the more stringent tax treatment.

Meanwhile, Mr. Rubenstein said sovereign-wealth funds will soon become the largest contributors of investment capital to private-equity firms, surpassing giant pension funds. Sovereign-wealth funds currently manage about $5.4 trillion, a number that will exceed $8 trillion by 2020, he said.

Mr. Rubenstein said he expected investment allocations to private-equity firms will continue increasing as investors seek higher returns and buyout firms focus more on operational improvements to companies to drive profits.

"It's not a financial engineering game as people thought in the early days," he said. "Operational improvements are where the bulk of returns are coming from."

Write to Mike Spector at mike.spector@wsj.com

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From: Gi Feather [[redacted]
on behalf of Gerald Barton [redacted]
Sent: 4/23/2014 12:07:37 PM
To: Jeevacation@gmail.com
Attachments: att15d3a.JPG

Jeffrey,

Thank you for the kindness shown to me and my family in the periodic availability of the New York apartment. Lesley has done an admirable job in making us feel welcome and always with good cheer.

Some years ago, we talked about the opportunity to use Landmark's $166 million tax loss. At that time, my ambition, ego, or stupidity limited the discussion. My memory is you, after discussions with Larry Summers, decided the pursuit was not worth the prey. Now, age (which I laughingly call maturity) or new information, has opened doors that I believe we can now accomplish the goals we discussed some years ago.

If, at a time and place of your convenience, you had 30 minutes for me to outline the fundamentals of the plan, you would know what I believe would work and if your mental quickness is still there, you would know whether or not you wanted to proceed. Certainly, when the goal is so great, 30 minutes with an old friend is not a great sacrifice.

On a personal note, your friend, Larry Summers, recently gave a meaningful speech in Toronto entitled "Will 2014 End Up Like 1914". You may find it worth reading. Your friend, Donald Trump recently purchased a project we developed on the west coast of Ireland, Doonbeg Golf Club. It has been consistently rated the best resort in Europe.

Jeffrey, please let me know when and where this is convenient for you.

Jerry

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Phone: [redacted]
Fax: [redacted]

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From: Lvjet[redacted]
Sent: 6/7/2014 5:00:22 PM
To: jeevacation@gmail.com
Subject: Fwd: Photos
Attachments: photo_1.JPG; photo_2.JPG; photo_3.JPG; photo_4.JPG

Importance: High

-----Original Message-----
From: Lvjet[redacted]>
To: jeevacation <jeevacation@gmail.com>
Sent: Sat, Jun 7, 2014 12:45 pm
Subject: Fwd: Photos

Jeffrey,
photos of unmasked B727,. Paint shop indicated we can use Vinyl for your "E" Logo and "Flag" as oppose of painting. this would enable easy removal if plane sells in the future. Trump and other airlines uses Vinyl for logos,.
can you sketch the style of "E" for the tail, and I'll request rendering with slanted Flag for Right side of Vertical Stabilizer,.

thank you,
Larry

-----Original Message-----
From: Guy Amico <[redacted]
To: Larry Visoski <[redacted]>
Cc: Scott Stambaugh <[redacted]; JR Stambaugh
[redacted]>
Sent: Sat, Jun 7, 2014 12:16 pm
Subject: Photos

Date: Monday, March 19 2012 05:59 PM
Subject: 2 Seminars-MONEY & POWER possible Invite List
From: Lesley Groff <[redacted]>
To: Jeffrey Epstein CC <jeevacation@gmail.com>;

Seminar-MONEY

Marc Andreesen

Paul Batista (Not sure this is who you mean)

Jeff Bezos

Sergey Brin

Bill Gates

Danny Hillis

Danny Kahneman

Jaron Lanier

Dick Merkin (?)

Michael Milken (?)

Nathan Myhrvold

Boris Nikolic

Larry Page

Tom Pritzker

Eric Schmidt

Jim Simons

Jes Staley

Peter Thiel

Ian Osborne (add Ian to both seminar lists?)

Seminar-POWER

Bill Clinton

Howard Gardner

Bill Gates

George Mitchell

Michael Ovitz

Igor (? Not sure who this is)

Ian Osborne (add Ian to both seminar lists?)

From: Sultan Bin Sulayem [redacted]
Sent: 4/24/2012 4:28:07 AM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: Fwd: Foreign Policy magazine: The Ayatollah Under the Bed(sheets):
Attachments: image001.jpg; image002.jpg

Importance: High

http://www.foreignpolicy.com/articles/2012/04/23/the_ayatollah_under_the_bedsheets

THE SEX ISSUE

AN FP SPECIAL REPORT

The Ayatollah Under the Bed(sheets)

In the Islamic Republic of Iran, all politics may not be sexual, but all sex is political.

BY KARIM SADJADPOUR | MAY/JUNE 2012

In the early years of the Iranian Revolution, an obscure cleric named Ayatollah Gilani became a sensation on state television by contemplating bizarre hypotheticals at the intersection of Islamic law and sexuality. One of his most outlandish scenarios -- still mocked by Iranians three decades later -- went like this:

Imagine you are a young man sleeping in your bedroom. In the bedroom directly below, your aunt lies asleep. Now imagine that an earthquake happens that collapses your floor, causing you to fall directly on top of her. For the sake of argument, let's assume that you're both nude, and you're erect, and you land with such perfect precision on top of her that you unintentionally achieve intercourse. Is the child of such an encounter *halalzadeh* (legitimate) or *haramzadeh* (a bastard)?

Such tales of random ribaldry may sound anomalous in the seemingly austere, asexual Islamic Republic of Iran. But the "Gili Show," as it came to be known, had quite the following among both the traditional classes, who were titillated by his taboo topics, and the Tehrani elite, who tuned in for comic relief. Gilani helped spawn what is now a virtual cottage industry of clerics and fundamentalists turned amateur sexologists offering incoherent advice on everything from **quickies** ("The man's goal should be to lighten his load as soon as possible without arousing his woman") to **masturbation** ("a grave, grave sin which causes scientific and medical harm").

Perhaps it's not entirely surprising that Iran's Shiite fundamentalists -- not unlike their evangelical Christian, Catholic, Orthodox Jewish, and Sunni Muslim counterparts -- spend an inordinate amount of time pondering sexuality. They are human, after all. But the sexual manias of Iran's religious fundamentalists are worthy of greater scrutiny, all the more so because they control a state with nuclear ambitions, vast oil wealth, and a young, dynamic, stifled population. Yet for a variety of reasons -- fear of becoming Salman Rushdie, of being labeled an Orientalist, of upsetting religious sensibilities -- the remarkable hypocrisy of the Iranian regime is often studiously avoided.

That's a mistake. Because religion *is* politics in a theocracy like Iran, uninformed or antiquated notions of sexuality aren't just confined to the bedroom -- they pervade the country's seminaries, military barracks, boardrooms, courtrooms, and classrooms. A common aphorism among Iranians is that before the revolution, people partied outside the home and prayed inside, while today they pray outside and party inside. This reverse dichotomy is true of a lot of social behavior in Iran. For many Iranians, this perverse state of affairs is now so ingrained, such an inherent aspect of daily interactions with Iranian officialdom, that it is no longer noteworthy. For those in the West who seek to better understand what makes Tehran tick, though, the regime's curious fixation on sex cannot be ignored.

To **paraphrase** the late U.S. House Speaker Tip O'Neill, in the Islamic Republic of Iran all politics may not be sexual, but all sex is political. Exhibit A is the revolution's father, the late Ayatollah Ruhollah Khomeini. Like all Shiite clerics aspiring to become a "source of emulation" (*marja'-e taqlid*), Khomeini spent the first part of his career meticulously examining and dispensing religious guidance on personal behavior and ritual purity that ranged from the mundane ("It is recommended not to hold back the need to urinate or defecate, especially if it hurts") to the surprisingly lewd.

In his 1961 religious treatise *A Clarification of Questions* (*Towzih al-Masael*), Khomeini issued detailed pronouncements on issues ranging from **sodomy** ("If a man sodomizes the son, brother, or father of his wife after their marriage, the marriage remains valid") to bestiality ("If a person has intercourse with a cow, a sheep, or a camel, their urine and dung become impure and drinking their milk will be unlawful"). As a young boy growing up in the American Midwest, I remember being both horrified and bewildered after coming across these precise passages in a translated volume of Khomeini's sayings I found in our Persian émigré home.

Scholars of Shiism -- including harsh critics of Khomeini -- emphasize that such themes were the norm among clerics of Khomeini's generation and should be understood in their proper context: Islam was a religion that emerged out of a rural desert, and the Prophet Mohammed was himself once a shepherd. Whereas religions like Christianity and Judaism simply declare such behavior to be sinful, Islam addresses them from a juridical point of view.

The underlying problem, says Islamic scholar Mehdi Khalaji, a former seminary student in the Shiite epicenter of Qom, is not that such issues were addressed, but the fact that "Islamic jurisprudence hasn't yet been modernized. It's totally disconnected from the issues that modern, urban people have to deal with."

Indeed, Khomeini's religious prescriptions are often the butt of jokes among Iran's post-revolutionary generations. "I've never even seen a camel in Tehran," prominent Iranian cartoonist Nikahang Kowsar told me, "let alone been tempted to have sex with one."

IF THERE IS A DOUBLE ENTENDRE that aptly captures today's Middle East, it is the "youth bulge." The Arab world's median age is 22, Iran's is 27; Western Europe's, by contrast, is near 40. High levels of Internet and satellite television penetration, with their pervasive pornography, coupled with the region's youthful demographics, have accentuated the Muslim Middle East's fraught relationship with sexuality.

Google Trends, which monitors searches from around the world, shows that of the seven countries that most frequently search the word "sex" on Google, **five are Muslim** and one (India) has a large Muslim minority. (The word "**sexy**" is even more popular among Arabs.) Google Insights, another trend spotter, shows that the most rapidly rising search term for Iranians so far in 2012 has been "Golshifteh Farahani," a popular exiled actress who in January posed topless for the French magazine *Madame Figaro*.

Before the 1979 revolution, religious fundamentalists were revolted by images of scantily clad Iranian women in the country's cinema and television; today, state television and cinema are forbidden from showing unveiled Iranian women. This is despite the fact that most of the country's citizens have access to the much more tawdry fare on satellite TV (the dishes are officially illegal, but thought to be smuggled in by the Islamic Revolutionary Guard Corps itself). In the forthcoming documentary ***The Iran Job***, Kevin Sheppard, an American who played basketball in Iran's professional leagues, is shocked while surfing his newly connected satellite television. "We have 600 channels," he remarks, "400 of them are sex!"

Because of its religious pretensions, however, the Iranian regime is forced to spend untold millions of dollars trying to jam satellite TV broadcasts to prevent them from reaching the country's citizens -- a futile attempt to simultaneously repel the forces of both technology and human nature. In an interview with the *New Yorker* several years ago, an Iranian security official **candidly assessed the challenge** at hand:

The majority of the population is young.... Young people by nature are horny. Because they are horny, they like to watch satellite channels where there are films or programs they can jerk off to.... We have to do something about satellite television to keep society free from this horny jerk-off situation.

One might assume a country that suffers from chronic inflation and unemployment -- not to mention harsh international sanctions and a potential war over its nuclear program -- would have better things to do than discourage its youth from masturbating. Yet the regime continues to pour hundreds of millions of dollars into Chinese censorship technology to create a **moral Iron Dome** against political and cultural subversion, with decidedly mixed results. Piped-in BBC Persian and Voice of America television are sometimes successfully scrambled, but those who want pornography have no shortage of outlets. That said, the censorship software sometimes get a bit overzealous. One Iranian friend told me of repeated unsuccessful attempts to access his British university's email account from Tehran, only to realize that the school's apparently bawdy name -- Essex -- was prohibited by the regime's Internet filters.

DURING THE RULE OF WESTERN-ORIENTED autocrat Mohammad Reza Shah Pahlavi, Tehran was a rapidly evolving society that deceptively appeared to be crossing into the modern age. My own family history is perhaps representative of Iran's urban middle-class trajectory during the 20th century: My devout paternal grandmother, born in 1907, wore a chador and wasn't formally educated beyond elementary school; three of her four daughters attended university, and all eschewed the veil. All of *their* daughters grew up in a Tehran in which miniskirts were the trend, and **Googoosh** -- Iran's pre-revolutionary J. Lo (but remarkably modest by today's standards) -- was their main "source of emulation."

Khomeini's opposition to the shah was fueled in part by the latter's enfranchisement of women, which the ayatollah deliberately conflated with sexual decadence. In his 1970 book *Islamic Governance*(*Hukumat-e Islami*) -- which would later provide the ideological and political template for post-revolutionary Iran -- Khomeini **hyperventilated** that "sexual vice has now reached such proportions that it is destroying entire generations, corrupting our youth, and causing them to neglect all forms of work! They are all rushing to enjoy the various forms of vice that have become so freely available and so enthusiastically promoted."

Khomeini nonetheless reassured his liberal revolutionary compatriots -- just months before the revolution, while in Paris exile -- that "women [would be] free in the Islamic Republic in the selection of their activities and their future and their clothing." Much to its retrospective dismay, a sizable chunk of Iran's liberal intelligentsia -- both male and female -- lined up behind Khomeini, some even referring to him as an "Iranian Gandhi." Shortly after consolidating power, however, Khomeini and his disciples swiftly moved to crush opposing views and curtail female social and sartorial freedoms. "Islam doesn't allow for people to [wear swimsuits] in the sea," he **proclaimed** shortly after becoming supreme leader. We "will skin their hide!"

Women who resisted the mandatory veil were met with violence and intimidation, including lyrical taunts of "*Ya roosari, ya toosari!*" ("Cover your head or be smacked in the head!"). As Iranian Nobel Peace Prize laureate Shirin Ebadi **recently wrote**, "Although the 1979 revolution in Iran is often called an Islamic revolution, it can actually be said to be a revolution of men against women.... The drafters of [the Islamic Penal Code] had effectively taken us back 1,400 years."

Like Islamists in today's Egypt -- and some among America's Christian right -- Iran's revolutionaries found fertile ground on which to play the politics of pious populism, rather than concretely address the enormous challenges of building a diversified economy. The country's massive oil wealth made it appear all too easy. Khomeini famously dismissed economics as "for donkeys," and he responded to complaints of inflation by saying, "The revolution wasn't about the price of watermelons." Three decades later, the results are self-evident: In 1979, resource-rich Iran's GDP was almost double that of resource-poor Turkey. Today, it is roughly half.

The brutal reality is that Iranians had entrusted their national destiny to a man, Khomeini, who had spent far more time thinking about the religious penalties for fornicating with animals than how to run a modern economy.

AFTER HIS DEATH IN 1989, Khomeini was succeeded by the current supreme leader, Ayatollah Ali Khamenei, who has remained loyal to Khomeini's vision for Iran, including his prudishness regarding matters of the flesh. For Khamenei -- who has said that keeping women in hijab would "prevent our society from being plunged into corruption and turmoil" -- outward displays of feminine beauty are viewed not only with religious disfavor, but as an existential threat to the regime itself.

Khamenei contends that the health of the family unit is integral to the Islamic Republic's well-being and is undermined by female beauty. Although to some this worldview is fundamentally misogynistic,**Khamenei sees** men, not women, as untrustworthy and incapable of resisting temptation:

In Islam, women have been prohibited from showing off their beauty in order to attract men or cause *fitna* [upheaval or sedition]. Showing off one's physical attraction to men is a kind of fitna ... [for] if this love for beauty and members of the opposite sex is found somewhere other than the framework of the family, the stability of the family will be undermined.

Interestingly, the word Khamenei employs against the potential unveiling of women -- *fitna* -- is the same word used to describe the opposition Green Movement that took to the streets in the summer of 2009 to protest President Mahmoud Ahmadinejad's contested reelection. In other words, women's hair is *itself* seen as seditious and counterrevolutionary. Even so-called liberal politicians in the Islamic Republic have long fixated on this issue. Abolhassan Bani-Sadr, Iran's first post-revolutionary president, who has spent the past three decades exiled in France, reportedly once asserted that women's hair has been scientifically proven to emit sexually enticing rays. (An Iranian satirist responded with a cartoon showing a man inadvertently aroused while eating lunch at his friend's home; the culprit turned out to be an errant strand of his friend's wife's hair in the ***ghormeh sabzi*** stew, an Iranian national dish.)

OVER THE LAST TWO DECADES, the women of Iran's younger generation have increasingly pushed back and loosened their veils, but any discussion of abolishing the veil altogether is not tolerated by Khamenei. In addition to opposition toward the United States and Israel, the hijab is often considered one of the Islamic Republic's three remaining ideological pillars. "For Islamic Republic officials, the hijab has vast symbolic importance; it is what holds up the dam, keeping all of Iranians' other demands for social freedoms at bay," says Azadeh Moaveni, an Iranian-American **author**. "Relax on the hijab, they think, and all hell will break loose; next people will want to swill beer on the street and read uncensored novels. They think of it as a gateway freedom."

Despite Khamenei's assertion that the hijab prevents men from straying, governmental policies in fact encourage the opposite. For example, to help accommodate the apparently incorrigibly wandering libido of the Iranian male, the country's parliament -- composed of Khamenei loyalists -- has supported sharia-sanctioned "temporary marriages" (known in Persian as *sigheh*) allowing men as many sexual partners as they want. The marriage contract can last as little as a few minutes, and it doesn't need to be officially registered. The man can abruptly end the sigheh when he likes, but initiating divorce is far more difficult for women. Indeed, women who stray from the sanctity of their marriages do so at grave risk -- dozens have been stoned to death in Iran for adultery.

The country's economic malaise has also led to a reportedly sharp rise in plain old, non-Islamically sanctioned prostitution. Tehran's high-end taxi drivers, often underemployed university graduates, casually point them out on the street.

"When economies take a downturn, informal economies and illicit networks become more attractive," says Pardis Mahdavi, author of a **book on sexuality in Iran**. "Technology facilitates this too."

During the shah's time, Tehran's **notorious red-light district** was known as Shahr-e Noe (New City), a place where countless young Iranian men lost their virginity. Like many things post-revolution, however, the Islamic Republic just imagined that banning the symptom would make the problem go away. But pouring saltpeter from the minarets hasn't worked. "They razed Shahr-e Noe thinking it would end prostitution," a retired Iranian laborer once told me. "Now all of Tehran has become Shahr-e Noe."

UNSURPRISINGLY, THE OUTWARDLY CHASTE nature of Khomeinist political culture has perverted normal sexual behavior, creating peculiar curiosities -- and proclivities -- among Iranian officialdom. Omid Memarian, a journalist who spent several months in the notorious Evin prison for his articles critical of the government, told me that his interrogators seemed far more interested in his sex life than his political peccadilloes. "I tried to answer their questions in very general terms, but they'd interrupt me," he recalled. "They wanted to know details. 'Start from when you were unbuttoning her blouse....'" In one instance, he told me, he was horrified when an interrogator appeared to be rubbing himself while listening.

Observers of American politics -- the land of **Jimmy Swaggart**, **Mark Sanford**, and **Newt Gingrich**, to name just a few -- won't be surprised to learn that it is often the most outspoken Iranian advocates of traditional values who fall short of achieving them. Memarian spent part of his mandatory military service in Tehran writing speeches for a senior Revolutionary Guard commander who routinely attacked the craven immorality of the "Global Arrogance" (i.e., the United States). "His *filmi* [the person who brought him bootlegged films on CD] later told me that he always requested 'films with scenes' [*film-haye sahne-dar*]," a euphemism for porn.

In a well-publicized national scandal in 2008, the Tehran police commander responsible for enforcing Iran's strict anti-vice laws, Reza Zarei, was caught nude in a brothel with six women (one of the women claimed he had asked them to **pray naked** in front of him). While American politicians might bounce back from such transgressions with their own **television show** (see: **Spitzer, Eliot**), the revelation of the incident reportedly led Zarei to attempt suicide while in prison.

The shame of sexual malfeasance has been routinely used by the regime as a form of political coercion and intimidation. When the famously jocular reformist cleric Mohammad Ali Abtahi, former vice president to Mohammad Khatami, was imprisoned after Iran's contested 2009 presidential election, he surprised his supporters by confessing with great gusto to being part of a Western-backed conspiracy to foment a velvet revolution. Although his confession was undoubtedly forced, his close associates claim that what compelled him to confess was not physical or psychological torture but hidden photos of him -- *in flagrante delicto* -- at a secret Tehran love nest that was long being monitored.

The Islamic Republic isn't always so prudish, however. In fact, it's been willing to use sexual incentives as a form of statecraft. In a **WikiLeaked U.S. State Department cable**, for example, senior Iraqi tribal chief Abu Cheffat confided in a U.S. diplomat in Baghdad that Tehran effectively wielded influence over Iraqi politicians -- ostensibly visiting Iran for "medical treatment" -- by offering inducements including "temporary marriages" with Iranian women. Not that Cheffat was complaining, mind you: The perks were surely better than when he visited President George W. Bush at the White House in 2008. It was not without reason, he explained, that Iranian soft power was trumping American hard power in Iraq.

More recently, three Iranian intelligence agents who unsuccessfully tried to kill Israeli government officials in Bangkok this past February photographed themselves at a bar in the beach resort of Pattaya with local "**escorts**." When I asked the scion of a powerful cleric in Tehran how ostensible devotees of Khomeini's religious ideology are able to reconcile frequenting non-Muslim prostitutes and drinking alcohol, he quickly dismissed any religious obstacles. "There are government clerics who can easily grant them religious pretexts [*mojavez'e Shar'i*]," he explained. "They can make the case that if they didn't frequent prostitutes and drink alcohol they would appear to be [terrorists] and raise suspicions."

In essence, the Iranian regime's approach toward sex, like its philosophy of governance, is marked by *maslahat*, or expediency, and used alternately as a tool of suppression, inducement, and incitement. In the summer of 2009, when hundreds of thousands of Iranians took to the streets to protest Ahmadinejad's reelection, many protesters were brutally beaten by the Basij militia, gangs of young regime thugs on motorbikes who were given a green light to quell the uprising. As Iranian-American academic Shervin Malekzadeh reported from Tehran, the Basij seemed to be driven by a combination of class resentment and pent-up frustration. "They don't screw; they don't drink or smoke joints," one of his sources told him. "What else are they going to do with all of that energy?"

But perhaps the seminal -- and most heartbreaking -- moment of the Green Revolution was the murder of a 26-year-old female protester, Neda Agha-Soltan, whose bloody death was caught on cell-phone camera and rendered one of the most viral videos in history. In an **HBO documentary** about her life, Neda's mother **recalls a message** that some sympathetic female Basij members relayed to Neda days before she was killed by a sniper: "Dear, please don't come out looking so beautiful.... Do us a favor and don't come out because the Basiji men target beautiful girls. And they will shoot you."

While the iconic faces of Iran's 1979 revolution were bearded, middle-aged men, Neda has come to symbolize the new face of dissent in 21st-century Iran: a young, modern, educated woman. For her opposition to the regime and to the hijab, she is the embodiment of fitna in Khamenei's eyes.

THREE SPRINGS LATER, the Iranian regime once again is faced with a crisis, this time of an external variety. As Israeli Prime Minister Benjamin Netanyahu threatens war in between meals, the Pentagon plays war games and policy planners huddle in the White House: Is the Iranian regime rational or irrational? Can diplomatic negotioations prevent Iran from obtaining a bomb, or is an attack on Iran's nuclear facilities inevitable?

Many Iran watchers assert that to persuade Tehran not to pursue a nuclear weapon, Washington must reassure Khamenei that the United States merely seeks a change in Iranian behavior, not a change of the Iranian regime.

What they fail to consider is Khamenei's deep-seated conviction that U.S. designs to overthrow the Islamic Republic hinge not on military invasion but on cultural and political subversion intended to foment a "velvet" revolution from within. Consider this **revealing address** on Iranian state TV in 2005:

More than Iran's enemies need artillery, guns, and so forth, they need to spread cultural values that lead to moral corruption.... I recently read in the news that a senior official in an important American political center said: "Instead of bombs, send them miniskirts." He is right. If they arouse sexual desires in any given country, if they spread unrestrained mixing of men and women, and if they lead youth to behavior to which they are naturally inclined by instincts, there will no longer be any need for artillery and guns against that nation.

Khamenei's vast collection of writings and speeches makes clear that the weapons of mass destruction he fears most are cultural -- more Kim Kardashian and Lady Gaga than bunker busters and aircraft carriers. In other words, Tehran is threatened not only by what America does, but by what America is: a depraved, postmodern colonial power bent on achieving global cultural hegemony. America's "strategic policy," Khamenei has said, "is seeking female promiscuity."

Khamenei's words capture the paradox and perversion of modern Iran. While dropping bombs on the Iranian regime could likely prolong its shelf-life, a regime that sees women's hair as an existential threat is already well past its sell-by date.

Karim Sadjadpour is senior associate at the Carnegie Endowment for International Peace.

From: Boris Nikolic [redacted]]
Sent: 5/7/2012 11:27:15 PM
To: Jeffrey Epstein (jeevacation@gmail.com) [jeevacation@gmail.com]
Subject: FW: Zeitplan amfar Gala 19.5.2012

Importance: High

[redacted] is my friend there who will host us. She is very close friend with [redacted] as well.
[redacted] and I are still trying to get [redacted] to join at the last moment.
She and her family own 80% or so of Austrian media (Heute etc). She is describing program below.
The plan would be that we arrive to Vienna on Thursday 17th mid day.

On Thursday there is a big Premiere of Mozart La Clemenza de Tito and we go to that.

ON Friday [redacted] is organizing a dinner/reception with her friends. We can schedule some other meetings/visits during day.

On Saturday the night starts at 5pm and goes through early next morning.

I leave first flight Sunday morning for San Francisco to meet Bill.
If you are staying in Vienna and have time (and like [redacted] you should go to her brunch.

How this seems to you???

B

-----Original Message-----
From: [redacted] [redacted]
Sent: Monday, May 07, 2012 5:51 AM
To: 'Cavan Mahony'; Boris Nikolic; [redacted]
Subject: WG: Zeitplan amfar Gala 19.5.2012

Hallo everybody!

Attached (sorry in Germain) the Programm fort he lifeball on the 19th.
Actually there will be a Galadinner with our prime minister and Bill Clinton and all kinds of stars in the Hofburg (former Imerial estate - very impressive to see from inside)) It is only 250 people,. A seated dinner and more upscale than the rest oft he evening. It start's at 5pm with a Champagne cocktail and from there we go directly to the opening oft he ball where we'll have a really cool Box first row!!

Dresscode: actually the lifeball is really crazy and 'half naked' We always do a intermediare because otherwise you feel like an idiot at the Amfar Gala dinner before. People now don't wear Tuxedos anymore. Christoph wear's normal black trouseres with a white shirt and a dar sakko because he doesn't want to be in any crazy stuff on all the pics. Half oft he people oft he gala dinenr also waer some 'little' crazy stuff like pink velvet sakkos (and a mask for later) or so. girls: Crazy as you like. There are a lot of atrists that are really dressed up. I will wear a quiet see-through short dress with high high heels+ a chanel Tatoo and will take a face mask fort he ball later.

So I hope this helped at least a little bit. For pics got to: lifeball.org

Friday night: We would like to invite you all for dinner and will organize a nice place with a cool bar. Aress follows. Pls let me know who wants to join!!

Sunday: I'm very sure we'll be dead :-) BUT we would like to invite you to our house/garden/pool (swimmwear) for brunch starting at 11. Fürfanggasse 4, 1190 Wien. From hotel Sachen max. 15 min with Taxi. If you fly late we can walk from our house to one oft he famous Austrian heurigen ...and get some more alcholic to drink :-) :-)

On Thursday there is a big Premiere of Mozart La Clemenza de Tito. Very hard to get tickets but for 2 of you I could still organize (hopefully9 if some of you already arrive on Thursday.

Big kiss to everbody...I promise you...not often you will have seen something that crazy :-)

[redacted]

[redacted]

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-----Ursprüngliche Nachricht-----
Von: Manuela Wieland [[redacted]
Gesendet: Montag, 07. Mai 2012 13:45
An: [redacted]
Betreff: Zeitplan amfar Gala 19.5.2012

Liebe Frau Dichand,

anbei der Zeitablauf von der AMFAR Gala 2012 am 19.5.2012.
LG MW

Unique Public High Schools Cited by Obama, Get Substantial Backing from Science Investor, Jeffrey Epstein

A group of uniquely run public schools in New York State and New Jersey have been brought into the spotlight from recent financial backing from science investor, Jeffrey Epstein and his foundation, The Jeffrey Epstein VI Foundation. The schools are called the Bard High School Early College schools (BHSEC) and are located in Manhattan and Queens of New York City and in Newark, New Jersey.

The Bard schools are not charter schools. They operate under the governance of New York State and New Jersey. However, they run with the efficiency and success of a prominent charter school. The schools are small, with less than 600 students each and a student teacher ratio of 20 to 1. Admission is academically exclusive, focusing on academic records, writing and math assessments and an eagerness for ideas and learning. And like most charter schools, the BHSEC schools critically have autonomy, even though they have to meet Regent state exams and graduation guidelines. They have the autonomy to run their teaching staff, budget and choose their curriculum.

Unlike charter schools however, the BHSEC schools provide an entire high school curriculum in just two years and then two years of college level credits. After four years, students graduate with sixty college credits, a New York State Regents or New Jersey high school diploma, and a Bard College Associate in Arts degree in liberal arts and sciences. The accelerated approach stems from the schools' belief that many young people are ready and eager to do serious college work at age sixteen and that young adults' ambition to learn must be taken seriously.

The results have been exceptional: 95% of BHSEC graduates move on to a four-year college. In July, 2009, President Obama, addressing the NAACP's centennial convention cited the schools as a public education role model for the nation: "Innovations like Bard High School Early College and Medgar Evers College Preparatory School that are challenging students to complete high school and earn a free associate's degree or college credit in just four years." In 2012, *The New York Observer* ranked the BHSEC Manhattan school as the #1 public high school in New York City, with an A+ grade, outranking the top private school.

BHSEC has its roots in the college system. In June 2001, The New York City Board of Education and Bard College jointly created Bard High School Early College (BHSEC), with the support of the Bill and Melinda Gates Foundation. Since the 1960's Bard College, originally called, Bard College of Simon's Rock, was the nation's only four year college and was specifically designed for younger scholars.

"Competition is tough," Jeffrey Epstein notes, whose foundation actively supports public education across the country. "Approximately 7,000 applicants compete for 150 seats each fall. So we need to continue working with state education boards to duplicate this successful model."

From: Lesley Groff [redacted]
Sent: 7/10/2012 10:56:42 PM
To: Epstein Jeffrey [jeevacation@gmail.com]
Subject: Fwd: Lesley: Please deliver to Jeffrey

Importance: High

Sent from my iPhone

Begin forwarded message:

From: Charles Stevenson [redacted]
Date: July 10, 2012 5:45:56 PM EDT
To: Lesley Groff <[redacted]
Subject: Lesley: Please deliver to Jeffrey

Jeffrey,

Thank you for your gifts to Bard College. Every dollar is deeply appreciated.

Charles

Re: Exceptional Public Schools Cited By Obama, Get Critical Backing From Investor, Jeffrey Epstein - US Politics Today

http://uspolitics.einnews.com/pr_news/103931767/exceptional-public-schools-cited-by-obama-get-critical-backing-from-investor-jeffrey-epstein

Exceptional Public Schools Cited By Obama, Get Critical Backing From Investor, Jeffrey Epstein

PR Newswire

NEW YORK, July 5, 2012 /PRNewswire/ -- A group of unique public high schools in New York State and New Jersey, cited by President Obama as role models for the nation, have received critical funding from science investor, Jeffrey Epstein and his foundation, The Jeffrey Epstein VI Foundation. The schools are called the Bard High School Early College schools (BHSEC) in Manhattan and Queens of New York City and in Newark, New Jersey.

The Bard schools are not charter schools. They are financed by New York State and New Jersey. However, they run with the efficiency and success of a prominent charter school. The schools are small, with less than 600 students each and a student teacher ratio of 20 to 1. Admission is academically exclusive, focusing on academic records, writing and math assessments and an eagerness for ideas and learning. And like most charter schools, the BHSEC schools critically have autonomy, even though they have to meet Regent state exams and state graduation guidelines. They have the autonomy to run their teaching staff, budget, operations and curriculum.

Unlike charter schools however, BHSEC schools provide an entire high school curriculum in just two years and then two years of college level credits. After four years, students graduate with sixty college credits, a state Regents high school diploma and a Bard College Associate in Arts degree in the liberal arts and sciences. This accelerated approach comes from the schools' belief that many young people are ready and eager to do serious college work at age sixteen and that young adults' ambition to learn must be taken seriously.

The results have been exceptional: 95% of BHSEC graduates attend college. In July 2009, President Obama, addressing the NAACP's centennial convention cited the schools as a role model for the nation: "Innovations like Bard High School Early College and Medgar Evers College Preparatory School that are challenging students to complete high school and earn a free associate's degree or college credit in just four years." In 2012, The New York Observer ranked BHSEC as the #1 public high school in New York City, with an A+ grade, outranking the top private school.

BHSEC has its roots in the college system. In June 2001, The New York City Board of Education and Bard College created Bard High School Early College with the support of the Bill and Melinda Gates Foundation. Since the 1960's Bard College, originally called, Bard College of Simon's Rock, was the nation's only four year college and was designed for younger scholars.

"Competition is tough," Jeffrey Epstein notes, whose foundation actively supports public education across the country. "Approximately 7,000 applicants compete for 150 seats each fall. So we need to continue working with state education boards to duplicate this successful model."

http://www.jeffreyepstein.org

SOURCE http://www.jeffreyepstein.org

From: BARBRO EHNBOM [redacted]
Sent: 8/20/2012 1:23:57 PM
To: jeevacation@gmail.com
Subject: [redacted]
Attachments: Be_[redacted]1.jpg

Importance: High

How about this year's SALSS Project Manager [redacted] - brainy and sensual!

Picture attached!

Barbro C. Ehnbom
Chairman, Swedish-American Life Science Summit
Office: [redacted]
Cell: [redacted]
Sweden: [redacted]
360 E. 55 St. #10G
New York, N.Y. 10022

-----Original Message-----
From: Jeffrey Epstein <jeevacation@gmail.com>
To: Barbro C Ehnbom [redacted]
Sent: Mon, Aug 20, 2012 2:32 pm
Subject: Re: Program & Attendee list

who is you r wife choice this year?

On Sat, Aug 18, 2012 at 12:11 PM, Barbro C Ehnbom <[redacted]> wrote:

> Dear Jeffrey,
>
> I am sorry I did not call back Yesterday-I was exhausted from a crazy week and fell asleep as soon as I came home! Anyway, here is the full program and attendee list attached, this is the Globalization Summit I invited Bill Clinton to when I met him in Stockholm last Summer-
> But he is a bit busy I gather!
> Anyway, hope Greta Tufvesson got hold of you re search service? Also, I did see your mail about possibly coming here end of September-however, I am supposedly arranging a fund-raiser for Congress Woman Diana deGette of Colorado on Sept 27 in NYC; she is the only one with a scientific agenda and she is just super-if anything I am hoping on your involvement?
> How about going to Stockholm mid or end november..albeit a bit dark and maybe cold..?
> Let me know what you think!
> Also, I just heard from my friend Jeff Kriendler in Miami and guess who was just walking in there -our friend Goldsamt!
> First prize for perseverance!
> Also, Sofia and the prince is on every magazine here, I think it is wonderful!
> Marcus has two big concerts in Stockholm this coming week. Me - SALSS!
>
> KRAM
> BE
>
> Barbro C. Ehnbom
> Sent from iPad
>
> Vidarebefordrat brev:
>
> **Från:** [redacted] <[redacted]m>
> **Datum:** August 18, 2012 8:44:29 AM GMT+02:00
> **Till:** Barbro Ehnbom <[redacted]
> **Ämne: Program & Attendee list**

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Jeffrey Epstein
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From: [redacted]
Sent: 11/2/2012 2:34:45 PM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: RE:

Importance: High

Perfect, my father is in Florence now ; we all fly on Sunday to Tanzania for 6 days with my daughters.
I believe that the American Ambassador will go back to the US in a few months after the elections , even if President Obama wins. Maybe you want to ask him about the letter for the Interallie before his departure?

From: Jeffrey Epstein [mailto:jeevacation@gmail.com]
Sent: mercredi 31 octobre 2012 23:14
To: [redacted]
Subject:

due to hurrricane , i will not come until december. lets organize a call with your father, or if he likes i am happhy to fly mom and dad to new york . in a couple of weeks when hurrican isssues subside.

--

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J.P.Morgan

Global Asset Allocation
09 November 2012

The J.P. Morgan View

Do US elections change anything?

- **Asset allocation** — The equity market has priced out the Romney win scenario, but from these levels, our economic and market outlook and risks are unchanged. These keep us medium-term overweight equities and credit, despite the likely volatility as the fiscal cliff is negotiated. Within equities, we stay underweight the US, and move most of the overweight into EM Asia. We have moved some of our credit overweight from the US to Europe.
- **Economics** — The data flows continue to confirm that June/July was likely the bottom in global activity growth, and that we are gently lifting from those levels, even as it will take well into next year before growth returns to trend.
- **Fixed Income** — Look for yields to head higher, but focus more risk on spread compression trades.
- **Equities** — We focus our overweights on EM Asia, Cyclical stocks and US Home builders.
- **Credit** — We see the current dip as an opportunity to add risk.
- **Currencies** — Be long the dollar during the fiscal cliff negotiations.
- **Commodities** — A further set of better Chinese economic data keeps us long base metals.

- **Equity markets are taking the Obama victory quite badly,** with US stocks down some 4% on Wednesday and Thursday. This has pushed up global bond markets, and credit spreads are wider, but commodities are largely ignoring this turmoil. We don't think an Obama victory truly changes the economic outlook, or risks, but it does eliminate the Romney hope that appeared to have been in market pricing.
- **By definition, the Romney scenario is now priced out of the market.** The US elections confirm the status quo in Washington, and to us, they do so also for the broad economic and market outlook, from current levels. Hence, we do not see much reason to change our investment allocations, and remain medium-term overweight both credit and equities against cash, government debt, and commodities. We do so on the basis of value – still high risk premia – fading risks on fiscal policy in the US into next year; an expected rebound in global growth; and super easy monetary policy, with more QE coming if growth were to disappoint.
- In recent weeks, we have switched out of our long-standing US risk overweight, into an underweight, on the argument that the US had the most committed central banker, its growth has been least disappointing, and its fiscal risks were further into the future. This relative risk has changed, with Chinese economic data confirming that its economy is rebounding, while the ECB now creating a period a relative financial "peace". The US, in contrast, is at the start of intense negotiations on how to avoid a fiscal-cliff induced recession next year. Neither side of the aisle has an interest in being blamed for a recession. But markets will still be buffeted by a steady news flow on wide gaps between each side's position.

See page 7 for analyst certification and important disclosures.

Global Asset Allocation

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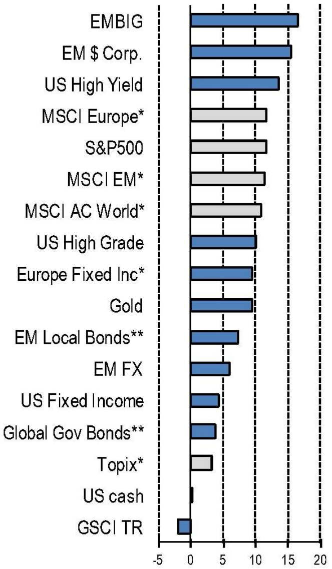
YTD returns through Nov 8

%, equities are in lighter color.



Source: J.P. Morgan, Bloomberg. See blue box on page 2 for description.

- As a result, we stay underweight US equities and have moved risk from our US credit longs into Europe. Our initial US equity underweight was against Europe and EM Asia. Our recent downgrade of Q1 growth in the Euro area and better activity data in China made us move the lion's share of the overweight versus the US into EM Asia (see Wednesday's *Global Market Outlook and Strategy*).
- **Chinese activity data continue to surprise on the upside**. October data for IP, retail sales and fixed investment each came above our expectations. This creates upside risk, but no change yet, to our forecasts which already assume a gentle rise in quarterly growth rates from under 7% early this year to just above 8% in Q1. Better data reduce the need for renewed fiscal and monetary stimulus. The 18th Party Congress started yesterday, will last a week, and will be followed by the announcement of the next leadership. More important for the economic outlook will be the Annual Central Economic Working Conference that will be held in December. We expect it to support continued moderate fiscal policy, a neutral monetary policy, and further economic rebalancing towards domestic consumption. It may also lower the 2013 growth target to 7%. For more details, see Haibin Zhu in today's GDW.

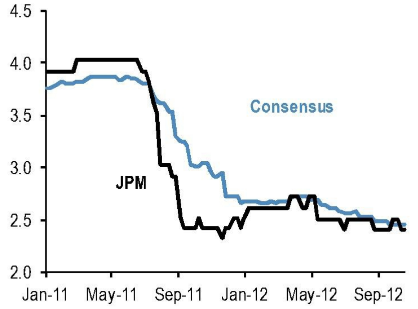
Fixed Income

- **Bonds rallied strongly, in the slipstream of the tumbling equity market.** President Obama's re-election perhaps also diminishes expectations of a change in course at the Fed.
- The ECB and the Bank of England stood pat at their policy meetings this week, but the latter delivered a curveball today, announcing that its net coupon income from QE would be transferred to the UK Treasury from next year on. The near-term effect is a **slight monetary easing**, as the money will be used to reduce the amount of gilts in issue, similar to QE itself.
- Beyond that, this is another small step towards **perceptions that monetary policy is no longer independent from fiscal policy**, like the Bank of Japan's joint statement with two government ministers last month. Nobody knows the tipping point at which these perceptions feed into much higher inflation expectations, just that we'll know it when we see it.
- Core euro bond yields are towards the low end of the range, and we expect them to head higher. But we focus more risk on **spread compression trades**, via overweights in Euro area peripherals, US MBS, and EM local bonds vs DM.

Equities

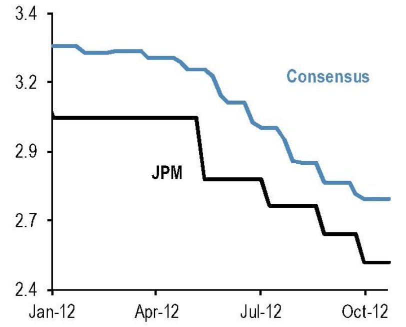
- Equity markets fell sharply post US elections, but we are not changing our strategy.
- From a month ago, we avoided directional longs in our GMOS model equity portfolio due to elevated positions by spec investors (see Charts A10 and A12 in today's *Flows & Liquidity*). We preferred to **focus instead on regional and sectoral trades**. We stay with the same strategy focusing our recommendations on EM Asia across regions, and Cyclical stocks and US Home builders across sectors.
- The rebound in the October global manufacturing PMI is what keeps us **long Cyclical vs. Defensive** equity sectors. **Is this a high-beta trade? Not**

2012 global GDP growth forecasts: JPMorgan and Consensus



Source: J.P. Morgan, Consensus Economics. Consensus Economics forecasts are for regions and countries that we averaged using the same 5-year rolling USD GDP weights that we use for our own global growth forecast.

2013 global GDP growth forecasts: JPMorgan and Consensus



Source: J.P. Morgan, Consensus Economics. Consensus Economics forecasts are for regions and countries that we averaged using the same 5-year rolling USD GDP weights that we use for our own global growth forecast.

More details in ...

Global Data Watch, Bruce Kasman and David Hensley

Global Markets Outlook and Strategy, Jan Loeys, Bruce Kasman, et al.

US Fixed Income Markets, Terry Belton and Srini Ramaswamy

Global Fixed Income Markets, Pavan Wadhwa and Fabio Bassi

Emerging Markets Outlook and Strategy, Joyce Chang

Key trades and risk: Emerging Market Equity Strategy, Adrian Mowat et al.

Flows and Liquidity, Nikos Panigirtzoglou et al.

Description of YTD Chart on front page:

Returns in USD. *Local currency. **Hedged into USD. Euro Fixed Income is iBoxx Overall Index. US HG, HY, EMBIG and EM $ Corp are JPM indices. EM FX is ELMI+ in $.

necessarily. Last summer, as equity markets rebounded in June and July, Cyclical sectors actually underperformed. The thin grey line in the top chart shows that Cyclical sectors have recaptured only a quarter of the underperformance seen between March and August and thus provide a better entry point. Position indicators suggest that investors are underweight Cyclicals and overweight Defensives which is turn means that Defensive sectors are more vulnerable to position unwinding.

- We introduced an **underweight in US equities** in mid October to position for the US fiscal cliff risk. Obama's win makes it more likely that this risk will intensify into year-end. Across regions we favor EM Asia and Europe vs. the US. While the US is facing fiscal cliff risks, Asian equities are benefiting from concrete signs that economic activity is rebounding in China. European equities are benefiting from greater improvement in financial conditions, although they are more vulnerable to noise around the Greek and Spanish issues.

Credit

- **US credit spreads edged wider in response to the fall in equity markets following the US elections.** US HG widened 7bp to 160bp, undoing around half of October's peak-to-trough moves. Similar moves registered in other USD credit markets. At 107bp, the CDX.IG is now back to early-August levels, even as the CDS-Bond basis moved back into negative territory with corporate bond spreads again moving above CDS.
- Credit spreads may be repricing the risk of a fiscal-cliff induced recession in 2013. For context, we expect the eventual outcome of the negotiations to lead to about 2% of GDP in fiscal contraction, not enough to tip the economy back into recession in itself, and considerably lower than the 4% drag under the full enactment of all revenue raising measures and spending cuts currently set to become law on Jan 1.
- From our point of view, the elections confirm the status quo both in Washington and in market conditions – i.e. we should expect more of the same and **it has been a great year for credit**. Therefore, **we see the current dip as an opportunity to add risk**, and expect spreads to continue to tighten into year end, albeit at a slower rate than in recent months. We stay down in quality and outline in *GMOS* this week some relative value arguments for Euro HY vs US HY. On that front, European credit shrugged off the election outcome, tightening marginally in the HG space and widening very slightly in the HY space.

Foreign Exchange

- The post-US election drama is unfolding as expected. Four more years with the same cast is delivering a higher USD versus most currencies but JPY due to deleveraging ahead of the fiscal cliff, and lower USD/CNY forwards due to avoidance of US-China trade conflict (see *An FX guide to America's toss-up election, FX Markets Weekly,* Nov 2). The only surprise has been that FX volatility remains so subdued (VXY unchanged at 7.4%) in a week when the trade-weighted dollar and equity volatility have rallied. Chalk it up to positioning, as most indicators suggest that institutions investors entered the US polls with aggregate USD positions close to flat.
- Now, sausage-making season begins. US recession is guaranteed if the fiscal cliff is enacted on schedule, and neither Congress nor the President welcomes

More details in ...

US Credit Markets Outlook and Strategy, Eric Beinstein et al.

High Yield Credit Markets Weekly, Peter Acciavatti et al.

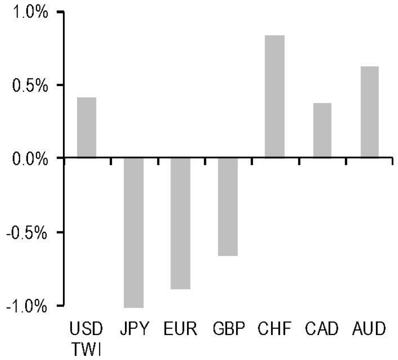
European Credit Outlook & Strategy, Steven Dulake et al.

Emerging Markets Cross Product Strategy Weekly, Eric Beinstein et al.

that outcome. But avoiding the worst case requires a short-term bargain plus a long-term compromise on a scale not seen in Washington since the Clinton-Congressional budget showdown of 1995/96. As with sausage making, this process won't be pleasant to watch. It would be easier to return in several weeks when the final product is ready, but for those who cannot avoid, ignore the likely volatility, and add to defensive trades.

- Washington needs at least a month to broker deferral of a decent part of the fiscal cliff before it can assume the monumental task of comprehensive fiscal reform next year, and the currencies most vulnerable to an impasse are expensive. If no grand bargain is reached before the end of the year, full implementation of the cliff implies enough fiscal tightening to drive the dollar up 3%-5% versus commodity currencies, given typical patterns during global growth shocks. Even if these tax increases are reversed later in the year, the first response would be a higher USD versus all currencies but the yen, given how long that investors are of cyclical currencies and how short they are the yen.
- Stay short USD/JPY and buy USD vs high-beta (AUD, NZD, SEK and GBP) in cash and options for a move of a few percent in coming weeks. In options, sell a 1-mo NZD/USD call (0.8250 strike, 0.83 RKI), buy a bearish 2-mo AUD/USD seagull (buy 1.03-1.01 put spread, sell 1.05 call) and buy a bearish 2-mo GBP/USD seagull (buy 1.57-1.55 put spread, sell 1.6250 call). Buy USD/SEK in cash.

FX weekly change in USD



Source: J.P. Morgan

Commodities

- **Commodities are up some 1% this week, led by precious metals, which rallied almost 4%.** The strong gains in gold are probably due to the US election result as Obama's victory means no change to Fed policy and so continued QE and negative real yields. Gold also tends to gain when there is high fiscal uncertainty, just as it did last year during the acrimonious debt ceiling debate which cost the US its AAA rating. **We stay long gold.**
- Chinese economic data came out stronger than expected this week, providing support for our view that Chinese economic growth has bottomed and will rebound through next year. China's slowing activity growth has been a major drag on commodities over the last few years and the improving economy is what makes us **long base metals**.
- The expected rebound in Chinese growth does not imply that we will go back to the double-digit growth rates that we saw before the crisis, and immediately after. The periods when China's economy grew at a pace above 8% coincided with very strong price gains on commodities, as it boosted global demand. China's leadership is in the process of reorienting its economy towards domestic consumption and to reduce reliance on exports and capital investments. As a result, Chinese growth will likely settle in a 7%-8% range over the medium term, a growth pace that in the past has not put upwards pressure on commodity prices.

More details in ...

FX Markets Weekly, John Normand et al.
Commodity Markets Outlook & Strategy, Colin Fenton et al.
Oil Markets Monthly, Colin Fenton et al.
Daily Metals Note, Colin Fenton et al.
Agriculture Weekly, Dietz et al.

Interest rates		Current	Dec-12	Mar-13	Jun-13	Sep-13	YTD Return*
United States	Fed funds rate	0.125	0.125	0.125	0.125	0.125	
	10-year yields	1.63	2.00	2.00	2.00	2.25	2.6%
Euro area	Refi rate	0.75	0.75	0.75	0.75	0.75	
	10-year yields	1.35	2.00	2.15	2.25	2.25	3.9%
United Kingdom	Repo rate	0.50	0.50	0.50	0.50	0.50	
	10-year yields	1.74	2.20	2.30	2.35	2.35	2.9%
Japan	Overnight call rate	0.05	0.05	0.05	0.05	0.05	
	10-year yields	0.73	0.85	0.90	0.95	1.00	2.0%
GBI-EM hedged in $	Yield - Global Diversified	5.64	6.00				7.3%

Credit Markets	Current	Index	YTD Return*
US high grade (bp over UST)	161	JPMorgan JULI Porfolio Spread to Treasury	10.1%
Euro high grade (bp over Euro gov)	176	iBoxx Euro Corporate Index	9.5%
USD high yield (bp vs. UST)	582	JPMorgan Global High Yield Index STW	13.1%
Euro high yield (bp over Euro gov)	726	iBoxx Euro HY Index	21.0%
EMBIG (bp vs. UST)	294	EMBI Global	16.4%
EM Corporates (bp vs. UST)	337	JPM EM Corporates (CEMBI)	15.4%

		Quarterly Averages					
Commodities	**Current**	**12Q4**	**13Q1**	**13Q2**	**13Q3**	**GSCI Index**	**YTD Return***
Brent ($/bbl)	110	105	112	105	120	Energy	-3.7%
Gold ($/oz)	1733	1725	1750	1775		Precious Metals	8.7%
Copper ($/metric ton)	7629	8300	8500	8700		Industrial Metals	-2.5%
Corn ($/Bu)	7.45	8.75	8.50	8.25		Agriculture	15.2%

Foreign Exchange	Current	Dec-12	Mar-13	Jun-13	Sep-13	3m cash index	YTD Return* in USD
EUR/USD	1.28	1.30	1.30	1.32	1.34	EUR	-0.8%
USD/JPY	80.5	78	79	79	79	JPY	3.4%
GBP/USD	1.60	1..61	1.60	1.62	1.63	GBP	4.1%
USD/BRL	2.03	2.02	2.02	2.00	1.98	BRL	-2.6%
USD/CNY	6.24	6.32	6.32	6.30	6.25	CNY	2.5%
USD/KRW	1091	1125	1125	1110	1100	KRW	8.1%
USD/TRY	1.79	1.80	1.75	1.75	1.70	TRY	13.3%

Equities	Current	YTD Return (local ccy)
S&P	1390	15.6%
Nasdaq	3014	21.2%
Topix	731	4.4%
FTSE 100	5770	8.6%
MSCI Eurozone*	143	15.8%
MSCI Europe*	1104	13.2%
MSCI EM $*	995	12.2%
Brazil Bovespa	58383	2.6%
Hang Seng	22111	22.7%
Shanghai SE	2117	-4.2%

*Levels/returns as of Nov 08, 2012

Local currency except MSCI EM $

Sector Allocation *	US YTD	Europe YTD	Japan YTD	EM YTD ($)
Energy	6.1%	-0.5%	-7.5%	3.4%
Materials	11.7%	10.3%	-5.0%	3.5%
Industrials	12.6%	**15.7%**	1.2%	10.5%
Discretionary	**21.0%**	**23.9%**	**4.5%**	10.8%
Staples	11.4%	13.1%	**13.8%**	**19.5%**
Healthcare	**18.4%**	**15.5%**	**15.0%**	**30.9%**
Financials	**25.6%**	**24.2%**	**23.0%**	**16.8%**
Information Tech.	**15.6%**	**16.1%**	-5.2%	**19.3%**
Telecommunications	**21.9%**	-3.4%	-1.3%	**12.2%**
Utilities	4.7%	8.2%	-20.4%	5.2%
Overall	**15.6%**	**13.2%**	**4.4%**	**12.2%**

Source: J.P. Morgan

Global Economic Outlook Summary

	Real GDP			Real GDP							Consumer prices			
	% over a year ago			% over previous period, saar							% over a year ago			
	2011	**2012**	**2013**	**1Q12**	**2Q12**	**3Q12**	**4Q12**	**1Q13**	**2Q13**	**3Q13**	**4Q11**	**2Q12**	**4Q12**	**2Q13**
The Americas														
United States	1.8	2.2	1.7	2.0	1.3	2.0	2.0	1.0	1.5	2.5	3.3	1.9	1.9	1.7
Canada	2.6	2.2	2.1	1.8	1.9	1.9	2.0	2.1	2.1	2.2	2.7	1.6	2.4	2.0
Latin America	4.2	2.9	3.9	2.8	2.4	**3.9** ↓	4.5	3.4	3.7	4.0	7.2	6.0	6.0	6.8
Argentina	8.9	2.7	3.6	2.4	-3.2	5.0	10.0	2.0	2.5	2.0	9.6	9.9	10.0	11.0
Brazil	2.7	1.4	4.1	0.5	1.6	4.8	4.6	3.8	4.0	4.3	6.7	5.0	5.5	5.6
Chile	6.0	5.4	4.5	5.1	7.1	3.0	4.0	4.0	5.0	5.0	4.0	3.1	2.5	3.1
Colombia	5.9	4.3	4.5	0.9	6.7	2.8	3.8	4.2	5.5	5.5	3.9	3.4	3.1	3.2
Ecuador	8.0	5.0	4.0	4.2	4.8	3.0	5.5	5.0	3.0	3.0	5.5	5.1	5.1	5.4
Mexico	3.9	3.9	3.6	4.9	3.5	**2.1** ↓	3.5	4.0	3.2	3.3	3.5	3.9	4.4	4.1
Peru	6.9	6.0	7.0	8.3	6.0	5.5	6.0	8.0	8.0	7.0	4.5	4.1	3.0	2.8
Uruguay	5.7	3.5	4.0	11.8	2.1	9.0	-9.0	12.0	7.0	9.0	8.3	8.0	7.6	7.2
Venezuela	4.2	5.0	0.0	10.1	0.6	3.5	0.0	-4.0	0.0	3.0	28.5	22.3	18.5	30.2
Asia/Pacific														
Japan	-0.7	1.7	0.1	5.3	0.7	-3.5	-2.0	1.0	1.6	1.3	-0.3	0.2	0.0	-0.2
Australia	2.1	3.5	2.5	5.6	2.6	1.5	1.8	3.8	2.5	1.8	3.1	1.2	1.7	2.7
New Zealand	1.3	2.6	2.9	4.1	2.3	1.5	3.5	3.7	3.3	2.0	1.8	1.0	1.4	1.5
Asia ex Japan	7.4	6.1	6.4	7.2	5.8	5.7	**6.2** ↓	6.3	6.5	6.8	4.9	3.9	3.4	**3.9** ↑
China	9.3	7.6	8.0	6.6	7.1	7.7	8.2	8.0	8.2	8.2	4.6	2.9	2.2	3.3
Hong Kong	5.0	1.2	3.2	2.4	-0.4	2.0	2.5	3.5	3.5	5.0	5.7	4.2	3.4	3.4
India	6.5	5.6	6.0	6.1	5.3	5.2	5.0	5.8	6.0	6.8	8.4	10.1	9.8	9.0
Indonesia	6.5	5.7	3.5	**4.7** ↑	**6.0** ↓	**4.9** ↑	3.0	3.0	4.0	4.0	4.1	4.5	3.9	2.2
Korea	3.6	2.3	3.2	3.5	1.1	0.6	3.5	3.0	4.0	4.5	4.0	2.4	1.9	3.0
Malaysia	5.1	**5.0** ↑	**3.7** ↑	5.8	5.9	2.5	**3.5** ↑	**3.5** ↑	3.0	3.5	3.2	1.7	1.1	1.2
Philippines	3.8	5.3	3.5	12.6	0.9	1.2	1.2	4.5	4.5	4.5	4.7	2.9	2.3	2.3
Singapore	4.9	**1.5** ↓	**2.5** ↓	**9.5** ↓	-0.7	**-3.9** ↓	**3.2** ↓	**4.9** ↓	**1.6** ↑	**4.1** ↓	5.5	5.3	**4.5** ↑	**4.0** ↑
Taiwan	4.0	1.2	3.4	1.6	2.2	3.5	3.8	3.5	3.5	3.8	1.4	1.7	2.1	1.8
Thailand	0.1	5.8	2.7	50.8	13.9	2.0	1.5	1.5	2.0	2.0	4.0	2.5	3.3	3.0
Africa/Middle East														
Israel	4.6	3.0	3.1	3.1	3.4	2.0	2.8	4.9	6.1	6.1	2.5	1.6	1.3	1.5
South Africa	3.1	2.2	2.7	2.7	3.2	1.6	-1.3	5.4	3.3	3.6	6.1	5.7	5.6	5.8
Europe														
Euro area	1.5	-0.4	0.1	0.0	-0.7	0.0	-1.5	0.0	0.8	1.3	2.9	2.5	2.5	1.9
Germany	3.1	1.0	**1.1** ↓	2.0	1.1	1.0	**-1.0** ↓	1.0	2.0	2.5	2.6	2.1	2.1	1.8
France	1.7	0.1	-0.1	0.1	-0.1	**0.0** ↓	-1.5	-0.5	0.5	1.0	2.6	2.3	1.9	1.3
Italy	**0.6** ↑	-2.3	**-0.5** ↑	**-3.2** ↑	-3.3	**-1.5** ↓	**-2.0** ↑	-0.5	**1.0** ↑	**1.3** ↑	3.7	3.6	3.2	2.3
Spain	0.4	-1.3	**-1.7** ↓	-1.3	-1.7	-1.2	-2.5	**-3.0** ↓	**0.0** ↓	**0.0** ↓	2.7	1.9	3.4	2.9
United Kingdom	0.9	0.0	1.8	-1.2	-1.5	4.1	0.5	1.5	2.0	2.5	4.6	2.8	2.6	2.5
Emerging Europe	4.8	2.6	**2.6** ↓	2.4	1.3	**0.4** ↓	**1.8** ↓	**2.7** ↓	**2.4** ↓	**3.7** ↓	6.4	5.0	**6.0** ↓	**6.3** ↑
Bulgaria	1.7	1.0	1.5	…	…	…	…	…	…	…	…	…	…	…
Czech Republic	1.7	-1.1	0.9	-3.1	-0.8	-1.2	-1.3	2.1	1.0	4.3	2.4	3.4	2.9	2.4
Hungary	1.6	-1.2	0.5	-3.5	-0.9	-1.0	-1.0	1.0	1.5	1.8	4.1	5.5	5.8	4.7
Poland	4.3	2.3	**1.6** ↓	2.4	1.6	0.5	**0.5** ↓	**1.3** ↓	**2.3** ↓	**3.0** ↓	4.6	4.0	3.1	2.5
Romania	2.5	0.0	0.8	0.5	1.9	-2.4	-1.2	1.2	-0.4	3.2	3.4	1.9	4.7	6.4
Russia	4.3	3.6	3.0	3.7	1.5	**1.0** ↓	3.0	3.5	3.0	4.0	6.7	3.8	**6.8** ↑	7.4
Turkey	8.5	2.8	3.7	…	…	…	…	…	…	…	9.2	9.4	**7.3** ↓	**7.5** ↑
Global	3.0	2.4	2.5	3.0	1.8	2.0	1.9	2.4	2.7	3.2	3.8	2.8	2.8	2.8
Developed markets	1.3	1.2	1.0	1.7	0.4	0.6	0.2	0.9	1.4	1.9	2.7	1.8	1.9	1.6
Emerging markets	6.1	4.7	5.1	5.4	4.3	**4.5** ↓	**5.0** ↓	5.1	5.2	5.6	5.7	4.6	4.4	**5.0** ↑

Source: J.P. Morgan

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Date: Tuesday, January 29 2013 04:46 PM
From: Cecile de Jongh [redacted]
To: JEE <jeevacation@gmail.com>;

Antigua: Land Of Sun, Sand, And Super Cheap Downloads

by Jacob Goldstein
http://www.npr.org/blogs/money/2013/01/28/170466137/antigua-land-of-sun-sand-and-super-cheap-downloads
January 28, 2013 3:07 PM

Sun, sand and super cheap downloads.

Any day now, you might be able to download Argo, Lincoln and Les Mis for a dime a piece. Microsoft Office could go for a quarter. A song might cost a penny. And it could all be perfectly legal under international law.

As part of a long-running trade dispute, the tiny island nation of Antigua and Barbuda (population: 90,000) won the right to use the intellectual property of U.S. firms — without having to pay any royalties or licensing fees.

At a meeting in Geneva today, the country got the final go ahead from the World Trade Organization.

The fight goes back to the 1990s, **when a bunch of online casinos set up shop in Antigua. After the U.S. cracked down on the casinos, Antigua complained to the WTO, arguing that the U.S. was unfairly protecting its domestic casinos in violation of free trade rules.**

Antigua won the case. Typically, when a country wins a case at the WTO, it wins the right to, say, put a tariff on goods from the losing country. But Antigua is so small that tariffs wouldn't have any noticeable effect on the U.S. economy.

So Antigua took another route: It asked the WTO to recover damages in the form of intellectual property, and the WTO said yes. If this seems likely to cause harm to innocents who had nothing to do with the fight over online casinos, that's the whole point.

"It's so Bill Gates might ring up Obama and say, 'Why have I lost my copyright so you can protect gaming?'" Mark Mendel, the lawyer representing Antigua told me. (By "gaming," Mendel means the U.S. casino business.)

To be clear, the Bill Gates reference was hypothetical. Antigua has not yet said what it plans to sell or how it plans to sell it. And whatever it sells, it's not going to be able to sell all that much of it. The WTO said Antigua can collect only about $21 million a year in damages.

In fact, Mendel says, Antigua really doesn't want to do this at all. What it wants is to cut some kind of deal directly with the U.S. that would revive the country's online gambling industry, or help create some other industry in its place.

"Antigua is still a very limited economy," Mendel said.

As recently as Friday, the U.S. and Antigua were still talking about settlement options, Nkenge Harmon, a spokeswoman for the U.S. government, told me in an email. And, she wrote:

> ...if Antigua does proceed with the unprecedented plan for its government to authorize the theft of intellectual property, it would only serve to hurt Antigua's own interests. Government-authorized piracy would undermine chances for a settlement. It also would serve as a major impediment to foreign investment in the Antiguan economy, particularly in high-tech industries.

With warm regards,

Cecile

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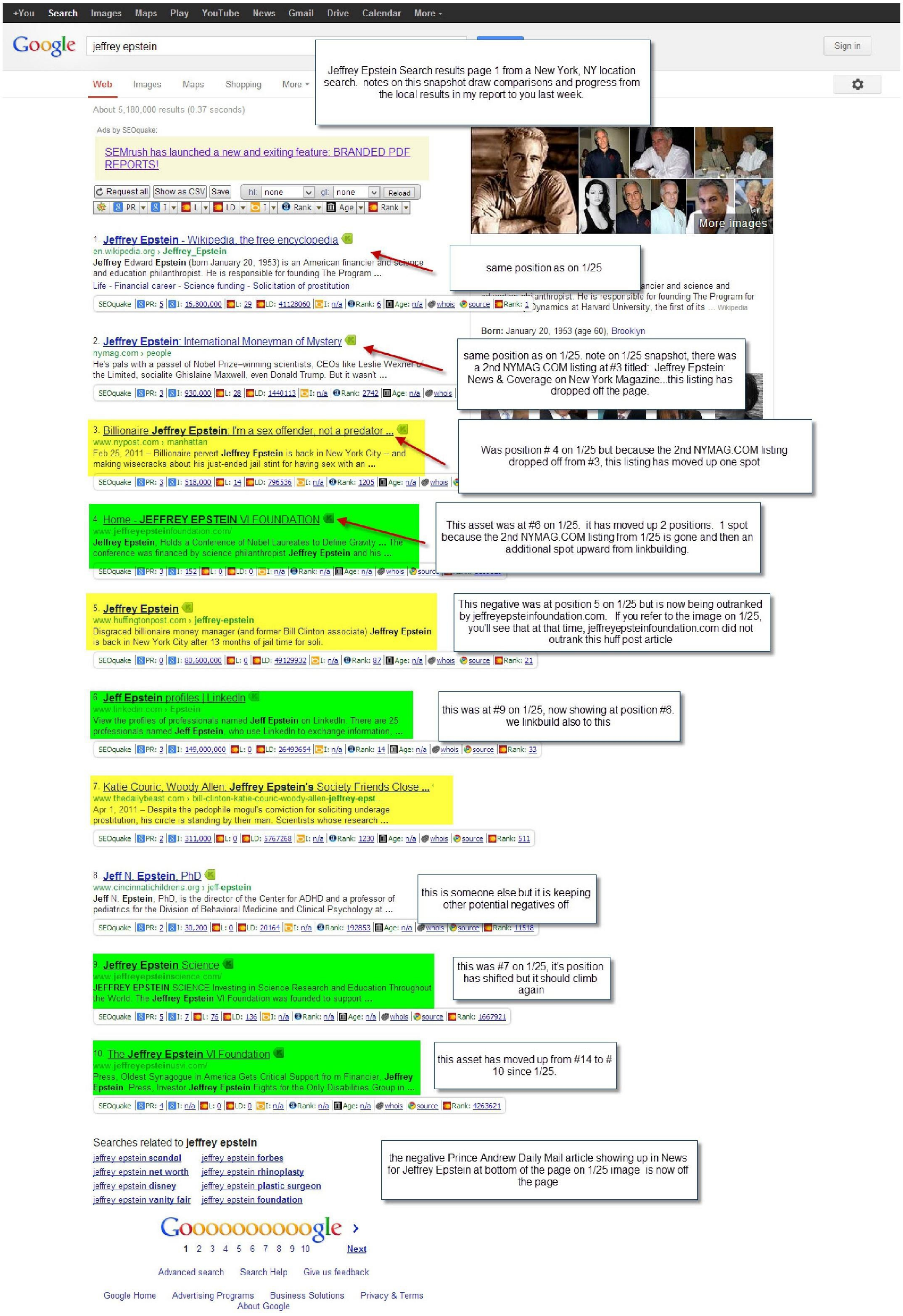

jeffrey epstein

Jeffrey Epstein Search results page 1 from a New York, NY location search. notes on this snapshot draw comparisons and progress from the local results in my report to you last week.

About 5,180,000 results (0.37 seconds)

Ads by SEOquake:

SEMrush has launched a new and exiting feature: BRANDED PDF REPORTS!

1. **Jeffrey Epstein** - Wikipedia, the free encyclopedia
en.wikipedia.org › **Jeffrey_Epstein**
Jeffrey Edward **Epstein** (born January 20, 1953) is an American financier and science and education philanthropist. He is responsible for founding The Program ...
Life - Financial career - Science funding - Solicitation of prostitution
SEOquake | PR: 5 | I: 16,800,000 | L: 29 | LD: 41128060 | I: n/a | Rank: 6 | Age: n/a | whois | source | Rank: 1

same position as on 1/25

...ancier and science and ...anthropist. He is responsible for founding The Program for ...Dynamics at Harvard University, the first of its ... Wikipedia

Born: January 20, 1953 (age 60), Brooklyn

2. **Jeffrey Epstein**: International Moneyman of Mystery
nymag.com › people
He's pals with a passel of Nobel Prize–winning scientists, CEOs like Leslie Wexner of the Limited, socialite Ghislaine Maxwell, even Donald Trump. But it wasn't ...
SEOquake | PR: 3 | I: 930,000 | L: 28 | LD: 1440113 | I: n/a | Rank: 2742 | Age: n/a | whois

same position as on 1/25. note on 1/25 snapshot, there was a 2nd NYMAG.COM listing at #3 titled: Jeffrey Epstein: News & Coverage on New York Magazine...this listing has dropped off the page.

3. Billionaire **Jeffrey Epstein**: I'm a sex offender, not a predator ...
www.nypost.com › manhattan
Feb 25, 2011 – Billionaire pervert **Jeffrey Epstein** is back in New York City -- and making wisecracks about his just-ended jail stint for having sex with an ...
SEOquake | PR: 3 | I: 518,000 | L: 14 | LD: 796536 | I: n/a | Rank: 1205 | Age: n/a | whois

Was position # 4 on 1/25 but because the 2nd NYMAG.COM listing dropped off from #3, this listing has moved up one spot

4. Home - **JEFFREY EPSTEIN** VI FOUNDATION
www.**jeffreyepstein**foundation.com/
Jeffrey Epstein, Holds a Conference of Nobel Laureates to Define Gravity ... The conference was financed by science philanthropist **Jeffrey Epstein** and his ...
SEOquake | PR: 3 | I: 152 | L: 0 | LD: 0 | I: n/a | Rank: n/a | Age: n/a | whois | sourc

This asset was at #6 on 1/25. it has moved up 2 positions. 1 spot because the 2nd NYMAG.COM listing from 1/25 is gone and then an additional spot upward from linkbuilding.

5. **Jeffrey Epstein**
www.huffingtonpost.com › **jeffrey-epstein**
Disgraced billionaire money manager (and former Bill Clinton associate) **Jeffrey Epstein** is back in New York City after 13 months of jail time for soli.
SEOquake | PR: 0 | I: 80,600,000 | L: 0 | LD: 49129932 | I: n/a | Rank: 87 | Age: n/a | whois | source | Rank: 21

This negative was at position 5 on 1/25 but is now being outranked by jeffreyepsteinfoundation.com. If you refer to the image on 1/25, you'll see that at that time, jeffreyepsteinfoundation.com did not outrank this huff post article

6. **Jeff Epstein** profiles | LinkedIn
www.linkedin.com › **Epstein**
View the profiles of professionals named **Jeff Epstein** on LinkedIn. There are 25 professionals named **Jeff Epstein**, who use LinkedIn to exchange information, ...
SEOquake | PR: 3 | I: 149,000,000 | L: 0 | LD: 26493654 | I: n/a | Rank: 14 | Age: n/a | whois | source | Rank: 33

this was at #9 on 1/25, now showing at position #6. we linkbuild also to this

7. Katie Couric, Woody Allen: **Jeffrey Epstein's** Society Friends Close ...
www.thedailybeast.com › bill-clinton-katie-couric-woody-allen-**jeffrey-epst**...
Apr 1, 2011 – Despite the pedophile mogul's conviction for soliciting underage prostitution, his circle is standing by their man. Scientists whose research ...
SEOquake | PR: 2 | I: 311,000 | L: 0 | LD: 5767268 | I: n/a | Rank: 1230 | Age: n/a | whois | source | Rank: 511

8. **Jeff N. Epstein**, PhD
www.cincinnatichildrens.org › jeff-**epstein**
Jeff N. **Epstein**, PhD, is the director of the Center for ADHD and a professor of pediatrics for the Division of Behavioral Medicine and Clinical Psychology at ...
SEOquake | PR: 2 | I: 30,200 | L: 0 | LD: 20164 | I: n/a | Rank: 192853 | Age: n/a | whois | source | Rank: 11518

this is someone else but it is keeping other potential negatives off

9. **Jeffrey Epstein** Science
www.**jeffreyepstein**science.com/
JEFFREY EPSTEIN SCIENCE Investing in Science Research and Education Throughout the World. The **Jeffrey Epstein** VI Foundation was founded to support ...
SEOquake | PR: 5 | I: 7 | L: 76 | LD: 136 | I: n/a | Rank: n/a | Age: n/a | whois | source | Rank: 1667921

this was #7 on 1/25, it's position has shifted but it should climb again

10. The **Jeffrey Epstein** VI Foundation
www.**jeffreyepstein**usvi.com/
Press, Oldest Synagogue in America Gets Critical Support fro m Financier, **Jeffrey Epstein**. Press, Investor **Jeffrey Epstein** Fights for the Only Disabilities Group in ...
SEOquake | PR: 4 | I: n/a | L: 0 | LD: 0 | I: n/a | Rank: n/a | Age: n/a | whois | source | Rank: 4263621

this asset has moved up from #14 to # 10 since 1/25.

Searches related to **jeffrey epstein**

jeffrey epstein **scandal**
jeffrey epstein **net worth**
jeffrey epstein **disney**
jeffrey epstein **vanity fair**
jeffrey epstein **forbes**
jeffrey epstein **rhinoplasty**
jeffrey epstein **plastic surgeon**
jeffrey epstein **foundation**

the negative Prince Andrew Daily Mail article showing up in News for Jeffrey Epstein at bottom of the page on 1/25 image is now off the page

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DISREGARDED ENTITIES

Disregarded Entities: To Be Or Not To Be?

Exceptions to the general rule that a disregarded entity is treated as a "tax nothing" for tax purposes have burgeoned over the last several years.

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As practitioners regularly use disregarded entities (DREs) in estate, corporate, and tax planning, it is very important that they consider during the course of planning the growing number of instances in which DREs are considered to exist, in whole or in part, for tax purposes.

Various provisions of the Code and regulations confer "disregarded" status on an entity. This article briefly describes the four most common forms of DREs and their origins and outlines some of the more significant—but often overlooked—exceptions and modifications to the general rule that DREs are treated as "tax nothings." Because the forms of DREs originate in different statutory and regulatory provisions, some of the exceptions and modifications are specific to only certain forms of DREs, others apply to all forms of DREs, and some are unique to grantor trusts. Practitioners should be attentive to this growing class of exceptions and modifications when tax planning for their clients.

Types of Disregarded Entities

The discussion below gives a general overview of four of the more frequently used types of DREs and their legislative creation, but there are also other miscellaneous DREs that arise primarily through the combined use of one DRE. For example, a partnership between a taxpayer and a DRE that is wholly-owned by the taxpayer does not constitute a partnership for federal tax purposes; rather, the partnership is a DRE, absent an election (under the check-the-box regulations discussed below) to be treated as a corporation. [1]

Grantor Trust Rules.

The oldest form of a disregarded entity is the grantor trust. While the development of the grantor trust rules began in the early 1900s, Congress did not issue statutory guidance until 1954. That statutory guidance developed into what is commonly known today as the grantor trust rules, which are found in Subpart E of Subchapter J of the Code. [2]

In short, the primary result of the grantor trust rules is to tax the grantor of a trust on the trust's income if the grantor retains dominion and control over the trust (or a portion of it). [3] In doing so, the grantor trust rules treat the grantor of a trust as the "owner" of the trust (or relevant portion thereof) for income tax purposes. [4] As a result, in calculating his or her taxable income, the grantor includes the applicable portion of the trust's income, deductions, and credits. [5]

Unlike the check-the-box rules, there are conflicting views regarding the treatment of a grantor trust as a DRE. While the plain language of the Code's grantor trust rules appears to imply that a wholly grantor trust (i.e., a trust that is deemed to be entirely owned by a single individual or entity) will be disregarded for federal income tax purposes and the IRS has treated grantor trusts as DREs, at least one court has not interpreted the rules in that manner. [6] Given the varying views on the topic, each practitioner needs to determine whether his or her particular grantor trust may be treated as a DRE. This article assumes that the grantor trust rules treat applicable grantor trusts as DREs, and will survey the exceptions and modifications that apply given such assumption.

Check-the-Box Rules.

Prior to 1997, the federal tax classification of an unincorporated business entity was determined under what were known as the "*Kintner* Regulations," which analyzed four characteristics of the entity to determine whether it more closely resembled a corporation or a partnership. [7] In 1997, the Treasury Department showed sympathy for practitioners when it simplified the classification of unincorporated business entities by promulgating Regs. 301.7701-1, -2, and -3, now universally known as the "check-the-box" regulations. [8]

A business entity that is not automatically classified as a corporation (a "per se corporation") pursuant to the check-the-box regulations (an "eligible entity") may generally elect its classification for federal tax purposes. [9] The default classification for a domestic eligible entity is:

(1) A partnership if the entity has two or more members.
(2) "Disregarded as an entity separate from its owner" if it has a single owner. [10]

The default classification for a foreign eligible entity is:

(1) A partnership if it has two or more members and at least one member does not have limited liability.
(2) A corporation if all members have limited liability.
(3) A DRE if it has a single owner that does not have limited liability. [11]

A member of a foreign eligible entity has limited liability if the member has no personal liability for the debts or claims against the entity by reason of being a member. [12]

Although a single-member eligible entity, such as a domestic limited liability company (LLC) with a single owner (SMLLC), is automatically treated as "disregarded as an entity separate from its owner," it may elect on Form 8832 to be taxed as a corporation. [13] If an SMLLC does not elect to be treated as a corporation, the check-the-box regulations treat its activities "in the same manner as a sole proprietorship, branch, or division of the owner." [14] Thus, except where an exception or modification exists, a non-electing SMLLC is generally ignored for federal tax purposes.

Qualified Subchapter S Subsidiary Rules.

A very common form of DRE is the qualified Subchapter S corporation (QSub). Any domestic corporation that is eligible to be a Subchapter S corporation and that is wholly owned by a Subchapter S corporation will be treated as a QSub if its parent corporation so elects. [15] The QSub election is made on Form 8869. When the QSub election is made, the subsidiary is generally deemed to have liquidated into the S corporation parent. [16]

In general, a QSub is not treated as a separate corporation for federal tax purposes. [17] All of the QSub's assets, liabilities, and items of income, deduction, and credit are treated as assets, liabilities, and items of income, deduction, and credit of the Subchapter S corporation parent. [18] As discussed below, however, there are certain regulatory exceptions to the general rule that a QSub is not treated as a separate corporation for federal tax purposes.

Qualified REIT Subsidiary Rules.

A qualified real estate investment trust subsidiary (QRS) is a relatively specialized form of disregarded entity. A real estate investment trust (REIT) is an electing domestic corporation (or trust or other association taxable as a corporation) that meets various organizational requirements, derives most of its income from passive real property sources, distributes most of its income to its owners, and holds mainly real estate. [19] REITs generally receive conduit income tax treatment for income distributed to their owners. [20]

A QRS is a corporation (or trust or other association taxable as a corporation) which is wholly owned by a REIT and does not elect with its owner to be treated as a taxable REIT subsidiary. [21] A QRS is not treated as a separate corporation, and, like a QSub, its assets, liabilities, and items of income, deductions, and credit are treated as those of the REIT owner. [22] Thus, the corporate status of a QRS is generally ignored for federal tax purposes. As with QSubs, however, there are certain regulatory exceptions to the general rule that a QRS is disregarded for federal tax purposes.

General Exceptions and Modifications

The number of exceptions and modifications to the general rule that DREs are treated as "tax nothings" has quietly increased over the last decade. A survey of some of the more prevalent exceptions and modifications to the general rule follows.

Employment and Excise Taxes.

Shortly after the check-the-box regulations and the QSub rules were issued in the late 1990s, the IRS issued Notice 99-6. [23] This Notice announced the IRS's intention to issue guidance on the proper method for DREs to report employment taxes. It also sought public comment on the issue. Notice 99-6 set forth two methods for reporting and paying employment tax for DREs until the IRS issued its guidance. The temporary guidance said that the IRS would accept reporting and payment of employment taxes with respect to SMLLC or QSub employees if either of the following occurred:

> (1) The owner calculated, reported, and paid all employment tax obligations with respect to the DRE's employees under its own name and taxpayer identification number.
> (2) The DRE separately calculated, reported, and paid all employment tax obligations with respect to its employees under the owner's own name and taxpayer identification number. [24]

Despite allowing a DRE to separately calculate, report, and pay employment tax obligations with respect to its employees, Notice 99-6 said that the owner would, nonetheless, retain ultimate responsibility for the employment tax obligations incurred with respect to the DRE's employees.

After almost six years, the IRS issued proposed regulations governing the treatment of DREs for employment tax and related reporting purposes. [25] In August 2007, the IRS finalized the proposed regulations with a few minor modifications. [26] Reg. 301.7701-2(c)(2)(iv) treats eligible single-owner DREs (e.g., SMLLCs) as corporations for employment tax purposes.[27] Thus, the entity now must use its own taxpayer identification number when it files and pays employment taxes.[28] An individual owner of a DRE, however, is subject to self-employment tax and is not treated as an employee of the disregarded entity for employment tax purposes.[29] This special employment tax provision is applicable with respect to wages paid on or after 1/1/09.[30] The IRS also recently updated its *Employer Tax Guide* to reflect the final regulations.[31]

In addition, the IRS issued a similar provision with respect to certain excise tax reporting, registration, and payment obligations.[32] That provision treats an eligible single-owner DRE as a separate entity for certain excise tax purposes.[33] This special excise tax rule applies to liabilities imposed and actions first required or permitted in periods beginning on or after 1/1/08.[34]

The IRS also issued a final regulation under Section 1361 that mirrors the employment and excise tax regulation provisions promulgated under Section 7701.[35] Like the check-the-box regulations' rules, the QSub regulation treats a QSub as a corporation for employment and excise tax purposes only.[36] The regulation relating to employment taxes applies with respect to wages paid on or after 1/1/09, but the excise tax provision applies to liabilities imposed and actions first required or permitted in periods beginning on or after 1/1/08.[37] The IRS probably did not need to issue separate provisions under Section 1361 because Regs. 301.7701-2(c)(2)(iv) and (v) appear to cover QSubs as well as SMLLCs. The IRS did not issue special provisions with respect to REITs, but Regs. 301.7701-2(c)(2)(iv) and (v) should also cover REITs. There is no authority explicitly extending these rules to grantor trusts.

Tax Liability Considerations

A DRE, including an SMLLC, a QSub, and a QRS, is treated as a separate entity for purposes of:

(1) Federal tax liabilities of the entity for any tax period for which the entity was not disregarded,
(2) Federal tax liabilities of any other entity for which the entity is liable.
(3) Federal tax refunds or credits.[38]

The regulations setting forth these exceptions apply after 3/31/04.[39] The following examples illustrate these exceptions to the general rule that DREs are treated as tax nothings.

If a domestic corporation merges (pursuant to a state law merger) into a domestic SMLLC owned by an individual, the SMLLC is the successor to the corporation, for state law purposes, and is liable for all of the corporation's debts. If the IRS sought to extend the statute of limitations on assessment with respect to a liability of the corporation for a tax year prior to the tax year in which the merger occurred, the SMLLC is liable for the corporation's taxes that remain unpaid, and, therefore, is the proper party to sign the consent to extend the period of limitations.[40] The result would be the same if the SMLLC was a QSub or a QRS.[41]

Using this example, assume that for a tax year ending before the merger occurred the IRS determines that the corporation miscalculated and underreported its income tax liability. Because the SMLLC is the successor to the corporation and is liable for the underpayment of the corporation's taxes, the IRS may assess the deficiency directly against the SMLLC.[42] In the event that the SMLLC fails to pay the liability after notice and demand, the IRS can file a federal tax lien against all of the SMLLC's property and its rights to property.[43]

With respect to QSubs and QRSs, their owners are not liable for deficiencies relating to a tax year that precedes the year in which the QSub or QRS election is made, because the tax liability is for a tax year for which the QSub or QRS was not disregarded.[44] As a result, the IRS may assess the liability only against the QSub or QRS and, in the event of a failure to pay the liability after notice and demand, may file a federal tax lien only against the QSub's or QRS's property and rights to property. [45]

Another instance in which a DRE is recognized for federal tax purposes arises when the IRS is seeking to collect a tax liability from the sole member of a SMLLC. In CCA 199930013, the IRS Chief Counsel advised that the IRS could not levy on an LLC's assets, because under state law the sole member of the LLC did not own the property of the LLC. The Chief Counsel stated that the mere fact that an LLC is disregarded as an entity separate from its sole member (the taxpayer in that case) for federal tax purposes does not entitle the IRS to disregard the LLC for collection purposes. [46] The Chief Counsel added that state law determines a taxpayer's property interests for purposes of tax collection, [47] but the IRS could levy on the taxpayer's distributive interest in the LLC and sell that interest or file suit to foreclose the federal tax lien against the ownership interest. [48] In addition, depending on the facts of the case, the IRS might collect from an LLC's assets on the basis that it is the alter ego of its single-member or pursuant to a nominee or transferee liability theory. [49]

TEFRA Rules.

Another exception to the general rule arises in the context of the Code's audit rules for partnerships, which were enacted by the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). TEFRA radically changed the way in which the IRS audits partnerships for errors in reporting partnership income. [50] TEFRA's basis is found in Section 6221, which provides that “the tax treatment of any partnership item (and the applicability of any penalty, addition to tax, or additional amount which relates to an adjustment to a partnership item) shall be determined at the partnership level.”

Section 6231(a)(1)(B) excludes “small partnerships” from the TEFRA rules by excluding from the definition of a “partnership” any partnership with ten or fewer partners, each of whom is a U.S. individual, a C corporation, or an estate of a deceased partner. The small partnership exception does not apply, however, to a partnership for a tax year if any partner in the partnership during that tax year is a “pass-thru partner.” [51] A pass-thru partner means a partnership, estate, trust, S corporation, nominee, or other similar person through whom other persons hold an interest in the partnership. [52]

The issue that arises in this context is whether a DRE that is a partner of a partnership is disregarded when determining whether the small partnership exception to TEFRA applies. The IRS has looked at this issue on at least two different occasions and, in both cases, treated an SMLLC as a separate entity. That is, the IRS determined that the SMLLC—not its individual sole member—was the partner in applying the small partnership exception to the TEFRA audit rules. [53] Because the SMLLC was treated as the partner and was a “pass-thru partner,” as defined in Section 6231(a)(9), the small partnership exception did not apply in either case.

In CCA 200250012, IRS Chief Counsel reasoned that the statutory language indicated that Congress intended that the small partnership exception to TEFRA would not apply whenever, as a factual matter, ownership in the partnership is held through another person, regardless of the legal classification of that person. Rev. Rul. 2004-88 reached the same result, but the IRS reasoned there that state law dictated the holding. The IRS based its holding on the fact that the sole member of the SMLLC partner was not a partner of the partnership under state law; rather, the IRS found that the sole member held his partnership interest in the partnership indirectly through the SMLLC (i.e., was an indirect partner via the “pass-thru partner”).

Sharing of Partnership Liabilities under Code Section 752.

Another relatively recent variance from the treatment of DREs as "tax nothings" can be found in the Section 752 regulations, which deal with the allocation of partner-level tax basis arising from partnership-level debt. Under these complex rules, partnership debt is generally allocated to the partner or partners, if any, that bear the ultimate "economic risk of loss" for the debt. For example, where a partnership debt is guaranteed by a partner, that partner generally would be allocated the debt's entire associated tax basis. In determining which partner bears the economic risk of loss, the rules provide a general assumption that a partner is financially able to perform under any guarantee agreement irrespective of the partner's actual net worth, unless the facts and circumstances indicate a plan to circumvent or avoid the obligation. [54] As a result, tax planners were able to insert virtually valueless DREs as guarantors of partnership debt to secure the associated debt basis for use by the ultimate owners of the entities.

Final regulations published on 10/11/06 significantly modified this approach for all partners holding partnership interests through a DRE. [55] Under Reg. 1.752-2(k)(1), where a partner holds his partnership interest through a DRE, the DRE's obligations are taken into account when determining the partner's economic risk of loss for the partnership-level liability only to the extent of the net value of the DRE as of the date on which the partnership determines the partner's share of partnership liabilities. [56] In the event that one or more DREs have payment obligations with respect to one or more liabilities of a partnership, the partnership must allocate the net value of each DRE among the liabilities in a reasonable and consistent manner, taking into account the relative priorities of those liabilities. [57]

This special treatment of DREs in this context has been criticized by some commentators in that it uniquely singles out DREs when, in fact, any pass-through entity that limits the liability of its owners can be used to accomplish similar results without a similar net value limitation. [58] Nonetheless, the special treatment exists and represents another danger in simply ignoring a DRE as nonexistent during the course of tax planning.

State Tax Treatment of DREs.

Despite the fact that almost every state generally respects the federal classification of an SMLLC as a DRE for income tax purposes, several states impose an entity-level tax or fee on LLCs, including SMLLCs. [59] The types of taxes or fees imposed, and the SMLLCs subject to the tax, vary widely from state-to-state. Practitioners should inquire into a state's entity-level tax on SMLLCs, and possibly other DREs, before proceeding with planning opportunities in that state.

Unlike the general conformity with federal law classification for income tax purposes, most states treat LLCs, including SMLLCs, as separate legal entities with respect to registration fees, sales and use taxes, employment taxes, and property taxes. As a result, LLCs are generally subject to liability for these taxes and fees. Additionally, most states require an SMLLC to file its own separate sales and use tax return, notwithstanding the fact that for state income tax purposes the SMLLC is disregarded. [60] On the other hand, many states allow an SMLLC and its owner to elect to file a consolidated sales and use tax return, if certain conditions are met. [61] Consequently, practitioners should analyze a DRE's tax and filing obligations state by state, so that they can fully apprise their clients of all potential taxes and fees a particular state may impose.

Grantor Trust Considerations

As mentioned briefly above, opinions differ as to whether a wholly grantor trust is considered a disregarded entity. In *Rothstein*, [62] the Second Circuit Court of Appeals implicitly held that a wholly grantor trust was not disregarded for all income tax purposes, because the grantor received a cost basis for assets purchased from the trust. In Rev. Rul. 85-13, 1985-1 CB 184, however, the IRS reached the opposite result on facts similar to those in *Rothstein.* That is, the IRS held that the acquisition of the trust's property by the grantor in exchange for a note could not be a sale because the grantor was both the maker and owner of the note. As a result, the grantor did not receive a new cost basis in the stock purchased from the trust.

The IRS has explicitly stated that it will not follow the Second Circuit's decision in *Rothstein.* Indeed, many estate planners rely heavily on Rev. Rul. 85-13's conclusions for a variety of estate planning techniques involving sales to grantor trusts. Consequently, the lasting impact of the *Rothstein* decision may prove negligible.

Even if disregarded for federal income tax purposes, states may not disregard a wholly grantor trust for certain purposes. For example, Pennsylvania varies from federal law regarding grantor trusts and imposes state income tax on grantor trusts according to the same personal income tax rules that apply to irrevocable trusts, unless the grantor trust is a revocable trust. [63] For some non-income tax purposes (e.g., sales tax), a wholly grantor trust that is disregarded for federal income tax purposes may be respected as the owner of the trust's corpus by some states. In New York, for instance, a sale between a grantor and his grantor trust could be subject to sales tax, because for sales tax purposes New York generally respects the separate existence of distinct legal entities, even though the distinction may be disregarded for federal and state income tax purposes. [64]

Foreign Tax Planning Considerations

Practitioners should be aware that foreign countries may not treat U.S. grantor trusts as disregarded entities. As noted below, a wholly grantor trust is treated as a separate entity for Canadian tax purposes. Various planning opportunities may arise as a result of such divergent treatment.

Conduit Financing.

Treasury has proposed respecting DREs in an attempt to combat perceived tax avoidance achieved through the use of multiple-party financing transactions. [65] In general, a financing arrangement is a series of transactions in which one person advances money or other property or grants rights to use property and another person receives money or other property or rights to use property, the advance and receipt are effected through one or more other persons, and financing transactions link all of the entities. [66] Examples of a financing transaction include debt and any lease or license. [67]

Since 1995, regulations have allowed the IRS to ignore intermediate entities participating in a financing arrangement where the intermediate entities are acting as conduit entities and to recharacterize the financing arrangement as a transaction directly between the remaining parties for purposes of imposing tax under Sections 871 and 881 and withholding obligations under Sections 1441 and 1442. [68]

In December 2008, the IRS issued proposed regulations under Section 881. [69] Under Prop. Reg. 1.881-3(a)(2)(i)(C), any transaction entered into by a DRE will be taken into account for purposes of determining whether a conduit financing arrangement exists. The proposed regulation accomplishes this by stating that, for purposes of the regulations under Section 881, the term "person" includes a business entity that is disregarded as an entity separate from its single member owner under the check-the-box regulations. [70]

Currently, this change to the regulation remains only proposed. The proposed regulation states that it is not effective until the date it is adopted as a final regulation. [71] It is interesting to note, however, that the Preamble to the proposed regulation states that the proposed regulations "*clarify* that a disregarded entity is a person for purposes of Regulation 1.881-3," implying that the IRS does not need the proposed regulation's change to effect this result. [72] Consequently, practitioners practicing in this area should employ caution both before and after the proposed regulation becomes final.

Dual Consolidated Losses.

The dual consolidated loss (DCL) rules are generally intended to prevent companies with tax residency in two different jurisdictions from using the same losses to obtain tax benefits in both jurisdictions. The provisions in Section 1503(d), and the consolidated return regulations that disallow the use of a DCL, generally treat a DRE as a separate entity. [73] An example of a DRE to which the DCL rules may apply is the so-called "hybrid entity," which is an entity that is disregarded for U.S. tax purposes but is subject to an entity-level income tax by a foreign country. [74] The purpose of the DCL provisions, as applied to a domestic corporation that owns a hybrid entity, is to prevent a single net operating loss (NOL) generated by a DRE from being used in both the U.S. and in a foreign jurisdiction. [75]

The DCL rules apply only to a dual resident corporation (DRC). A DRC is a domestic corporation or a separate unit of the domestic corporation (e.g., a hybrid entity that is a DRE for U.S. tax purposes) that is subject to U.S. tax on its worldwide income and a foreign jurisdiction's tax on its worldwide income or with respect to its separate unit's worldwide income. [76] Without the general disallowance of the DCL to the DRC, use of the DCL could occur in both the U.S. and the foreign jurisdiction because the DRC could offset its own income with the NOL generated by the DRE for U.S. tax purposes, and that NOL might also be used for foreign tax purposes against income that may not be subject to U.S. tax. [77]

In general, the DCL rules forbid a DRC from reducing the taxable income of any other member of its affiliated group by the amount of the DRE's DCL unless, as provided in the regulations, the loss does not offset the income of any foreign corporation. [78] For purposes of determining the DCL, the DRE is treated as a separate entity and its income, deductions, gain, and loss are computed on a "stand alone" basis from the DRC that owns the DRE. [79] In that respect, the DRE is not treated as a disregarded entity.

Treatment by Foreign Countries

Practitioners should also be aware of the treatment of DREs by foreign countries. Canada, for example, generally does not disregard U.S. SMLLCs; rather, it treats them as corporations. Also, a grantor trust that is disregarded in the U.S. is respected as a trust in Canada. Some income tax treaties between the U.S. and foreign countries specifically address the treatment of disregarded entities (also called "fiscally transparent" entities by some treaties).

In addition to some countries treating DREs differently than the U.S., the Code contains some provisions that create special rules for certain DREs (or "fiscally transparent" entities). Section 894 generally operates to deny certain treaty benefits to a "hybrid entity" (i.e., an entity treated as fiscally transparent for U.S. income tax purposes but recognized as a separate entity for purposes of the tax law of the foreign country). Under that section, income derived by a foreign person through a fiscally transparent entity is denied the benefit of a reduced rate of withholding tax that an income tax treaty may provide if certain conditions are met. For instance, if a U.S. company makes an interest payment to an LLC that is wholly owned by a Canadian company, the payment is generally subject to the full 30% withholding rate imposed by Code section 1442(a) and is not entitled to the benefits of a reduced rate of withholding that the U.S./Canada income tax treaty would otherwise permit.

Practitioners should be cognizant of the treatment of DREs by other countries.[80] Not only can the different treatment by a foreign country present traps for the unwary, but they can also produce significant planning opportunities for U.S. individuals and businesses.

Obama Proposal.

The Obama administration recently released its 2010 budget proposals, which included a proposal that would make a regulatory change to the check-the-box regulations requiring some foreign subsidiaries to be treated as separate corporations for U.S. federal tax purposes.[81] The proposal is designed to prohibit the shifting of income from one foreign subsidiary to another in a tax-haven country.[82]

Under the proposal, a foreign eligible entity with a single owner that is organized or created in a country other than that of its single owner would be treated as a corporation for all federal tax purposes.[83] Existing eligible entities would undergo a deemed conversion into a corporation under the proposal, resulting in the entities incurring the usual tax consequences related to a conversion (e.g., triggering of dual-consolidated losses). Except in cases of U.S. tax avoidance, the proposal generally would not apply to a first-tier foreign eligible entity wholly owned by a U.S. person.[84]

If adopted, the proposal would not take effect until 2011.[85] Given the Obama Administration's heightened scrutiny of offshore tax havens and international tax abuses, this proposal is one to monitor closely.

Conclusion

There are now several instances in which DREs are not really disregarded for tax purposes. In addition, various proposals would increase the number of exceptions/modifications to the general rule that a DRE is a "tax nothing." It is important for practitioners to keep this assortment of disclaimers in mind in advising clients with respect to tax planning using DREs. The erosion of the check-the-box regulations and other DRE provisions continues to be a trap for the unwary.

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[1] Rev. Rul. 2004-77, 2004-2 CB 119 (holding that where a domestic corporation and its wholly owned LLC were the only two partners in a limited partnership, the limited partnership could not be classified as a partnership for federal tax purposes, and therefore, would be disregarded for federal tax purposes, absent an election to be treated as a corporation).

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[2] See Sections 671 through 679.

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[3] See generally Section 671.

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[4] Section 671.

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[5] *Id.*

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[6]

See Rothstein, 54 AFTR 2d 84-5072, 735 F2d 704, 84-1 USTC ¶9505 (CA-2, 1984) (discussed below). But see Rev. Rul. 85-13, 1985-1 CB 184.

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[7] The Kintner Regulations, promulgated in 1960, were derived from the case of Kintner, 46 AFTR 995, 216 F2d 418, 54-2 USTC ¶9626 (CA-9, 1954).

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[8] TD 8697, 12/17/96.

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[9] Reg. 301.7701-3(a). A business entity is any entity that is not a trust. See Reg. 301.7701-2(a).

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[10] Reg. 301-7701-3(b)(1).

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[11] Reg. 301-7701-3(b)(2)(i).

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[12] Reg. 301-7701-3(b)(2)(ii).

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[13] Reg. 301.7701-3(a).

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[14] Reg. 301-7701-2(a).

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[15] Section 1361(b)(3)(B). Certain types of corporations are not eligible to make a QSub election (e.g., insurance companies subject to tax under Subchapter L of the Code). See Section 1361(b)(2).

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[16] Reg. 1.1361-4(a)(2).

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[17] Reg. 1.1361-4(a)(1)(i).

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[18] Reg. 1.1361-4(a)(1)(ii).

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[19] Sections 856(a) and (c), and 857(a)(1).

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[20] See Section 857(c)(2); see also S. Rep't. No. 106-201, 106th Cong., 1st Sess. 55 (1999).

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[21] Sections 856(i)(2) and (l)(1).

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[22] Section 856(i)(1).

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[23]

1999-1 CB 321. The Notice did not specifically mention grantor trusts or QRSs, but its stated purpose was to address issues related to entities "disregarded as entities separate from their owners for federal tax purposes." While it was clearly intended to respond to the then recently enacted check-the-box regulations and QSub rules, the Notice should also have applied to grantor trusts and QRSs—but it would be unusual for a grantor trust or QRS to have employees.

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[24] *Id*.

[25] REG-114371-05, 10/18/05.

[26] TD 9356, 8/15/07. The issuance of the final regulations made Notice 99-6 obsolete as of 1/1/09.

[27] Reg. 301.7701-2(a) references these special employment and excise tax rules.

[28] Reg. 301.7701-2(c)(2)(iv)(C), Example ii.

[29] Reg. 301.7701-2(c)(2)(iv)(A).

[30] Reg. 301.7701-2(e)(5).

[31] IRS Publication 15, *Employer's Tax Guide* (3/09).

[32] Reg. 301.7701-2(c)(2)(v).

[33] See Reg. 301.7701-2(c)(2)(v) for a list of relevant excise taxes and associated exceptions.

[34] Reg. 301.7701-2(e)(6).

[35] Regs. 1.1361-4(a)(7) and (8).

[36] *Id*.

[37] Regs. 1.1361-4(a)(7)(ii) and (8)(ii).

[38] Regs. 301.7701-2(c)(2)(iii)(A), 1.1361-4(a)(6), and 1.856-9. Grantor trusts are not covered by these provisions.

[39] Regs. 301.7701-2(e)(2), 1.1361-4(a)(6)(iii), and 1.856-9(c).

[40] See Reg. 301.7701-2(c)(2)(iii)(B), Example 1.

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[41] See Regs. 1.1361-4(a)(6)(ii), Example 3, and 1.856-9(b), Example 3.

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[42] See Reg. 301.7701-2(c)(2)(iii)(B), Example 2.

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[43] *Id.*

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[44] See Regs. 1.1361-4(a)(6)(ii), Example 2, and 1.856-9(b), Example 2.

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[45] See *id*.

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[46] CCA 199930013.

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[47] *Id.*

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[48] See also CCA 200235023.

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[49] *Id.*

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[50] TEFRA (codified as Sections 6221 through 6234).

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[51] Reg. 301.6231(a)(1)-1(a)(2).

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[52] Section 6231(a)(9).

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[53] CCA 200250012; Rev. Rul. 2004-88, 2004-2 CB 165.

---

[54] Reg. 1.752-2(b)(6).

---

[55] TD 9289, 10/11/06**.** These disregarded entity rules apply to liabilities incurred or assumed by a partnership on or after 10/11/06, other than liabilities incurred or assumed pursuant to a binding written contract in effect prior to that date. See Reg. 1.752-2(l).

---

[56] These rules do not apply to an obligation of a DRE to the extent that its owner is otherwise required to make a payment with regard to the obligation of the DRE. See Reg. 1.752-2(l). In addition, the specific DREs cited in the applicable Regulations do not expressly include grantor trusts.

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[57] Reg. 1.752-2(k)(3).

[58] See, e.g., McKee, Nelson & Whitmire, *Federal Taxation of Partnerships and Partners* (WG&L, 2009), ¶ 8.02[8].

[59] Fenwick, McLoughlin, Salmon, Smith, Tilley, and Wood, *State Taxation of Pass-Through Entities and Their Owners* (WG&L, 2009), Appendix, Tables 8 and 9. Alabama, California, New Jersey, New York, Pennsylvania, Tennessee, and Texas are a few of the states that impose various entity-level taxes or fees on LLCs.

[60] Fenwick, McLoughlin, Salmon, Smith, Tilley, and Wood, *State Taxation of Pass-Through Entities and Their Owners* (WG&L, 2009), ¶18.03.

[61] *Id.*

[62] 54 AFTR 2d 84-5072, 735 F2d 704, 84-1 USTC ¶9505 (CA-2, 1984).

[63] Pennsylvania Personal Income Tax Guide (03/06).

[64] See e.g., Cleveland Browns Transportation LLC, TSB-A-06(8)S, 03/06/06 (sales of transportation services to an operating entity by its wholly owned and income tax disregarded LLC were recognized for sales tax purposes).

[65] REG-113462-08, 12/22/08.

[66] Reg. 1.881-3(a)(2)(i)(A).

[67] Reg. 1.881-3(a)(2)(ii)(A).

[68] Reg. 1.881-3(a)(1).

[69] *Supra* note 65.

[70] Prop. Reg. 1.881-3(a)(2)(i)(C). The proposed regulation does not expressly apply to any DREs not within the ambit of the check-the-box regulations.

[71] *Id*.

[72] *Supra* note 65.

[73] See Reg. 1.1503(d).

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[74] Reg. 1.1503(d)-1(b)(3).

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[75] TD 9315, 3/16/07.

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[76] Reg. 1.1503(d)-1(b)(2).

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[77] TD 9315, 3/16/07.

---

[78] *Id.*; Section 1503(d)(1). The DCL rules also specifically speak about situations involving “transparent entities,” which are uniquely defined for purposes of the DCL rules.

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[79] See generally Reg. 1.1503(d)-5.

---

[80] There are also other narrow areas where the IRS has indicated it will treat a DRE as separate from its sole owner, such as the foreign exchange rules under Section 987 in the case of certain DREs that are qualified business units and have a different functional currency than their U.S. parent.

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[81] See Dept. of Treasury, General Explanations of the Administration's Fiscal Year 2010 Revenue Proposals (May 2009).

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[82] President Obama announced the proposal during his 5/4/09 news conference regarding combating tax havens.

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[83] See *supra* footnote 77.

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[84] *Id.*

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[85] *Id.*

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latimes.com/entertainment/arts/culture/la-et-cm-secretary-of-culture-notebook-20130120,0,162825.story

latimes.com

The case for naming a U.S. secretary of Culture

Music critic Mark Swed says it's time we have someone in the Cabinet who can speak to our common identity: Arts and the humanities help us figure out who we are.

By Mark Swed, Los Angeles Times Music Critic

6:00 AM PST, January 19, 2013

advertisement
RICHARD JACKSON
Ain't Painting a Pain
February 17 - May 5, 2013
ORANGE COUNTY MUSEUM OF ART

Along with adding the finishing touches to his inaugural address on Monday, President Obama has plenty on his plate. He is consumed by the responsibilities of selecting new Cabinet members and preparing strategies to get them confirmed. He already had his fair share of critics, and the last thing he needs is a *music* critic telling him how to run the country.

So I'm sorry to have to be the one to remind you, Mr. President, that you've left someone out. Secretary of Culture. It's time.

Despite a troubling international reduction of government support for the arts thanks to the world economic crises, most countries still manage to maintain ministries of culture, and not just seats of Western civilization such as France, Italy, Spain, Great Britain and Greece but also in Albania, Brazil, Haiti, Ethiopia, Cambodia and about 50 other countries. We, instead, have the National Endowment for the Arts and the National Endowment for the Humanities.

PHOTOS: Arts and culture in pictures by The Times

I'm a great supporter of these institutions, but I'm calling for their removal and the creation of a new Cabinet-level agency for culture. The NEA, to which I've been closest in my career, is a wonderful organization, doing what it can to support institutions (if no longer individual artists) large and small. But it is also a political football and it is always going to be one.

One of the calls to abolish the NEA, for instance, came from Mitt Romney in last year's campaign, as part of his proposal to balance the budget. But during the debates Obama failed to note that investment in the arts is a more reliable jobs creator than in nearly all industries, nor is it easily outsourced. That has been an *idèe fixe* of the Obama-appointed outgoing NEA head, Rocco

Landesman. Even so, Landesman's budget got slashed 13% for fiscal 2012 to an embarrassing $146 million.

As arts supporters love to point out, that is less than half of the budget the Pentagon provides for military bands alone. In cash-strapped France, on the other hand, Minister of Culture and Communication Aurélie Filippetti was enraged when President François Hollande cut the 2013 budget of her department 4.3% to 7.363 billion euros, which is just under $10 billion. According to Landesman, the U.S. remains the weakest funder of arts in the developed world.

From the start, Obama had seemed a good prospect for becoming an arts president, and four years ago, as he was about to assume office, 76,000 people signed a petition, instigated by Quincy Jones, begging the new president to create a Cabinet-level cultural ministry patterned after France's. He has stepped out to arts events and invited artists from many genres to the White House. But he's kept that pretty low profile. The arts can be a lightning rod among populist politicians, and Washington is divided enough as it is. Clearly Obama has had other preoccupations than cabinetizing culture. But that divisiveness is precisely why we need a Cabinet-level spokesperson for culture. We have come to see ourselves as a country of opposites. The allocation of public funds for just about anything is viewed as a war between the rich and the poor. We color our states red or blue. Some of us love guns; some of us hate them. Go down the line, and there appears to be less and less on which we agree.

One thing we do have in common is our identity. Wherever we are on whatever spectrum, we see ourselves as Americans. It is that culture that makes everything else matter. The arts and the humanities help us figure out who we are.

A Department of Culture, into which the current NEA and NEH might be folded, may not be protected from budgetary vulnerability, but it would at least have more prestige and perhaps more stability. It would also empower a public spokesperson for culture.

Maybe even more essential is the influence a secretary of Culture could have in a way-too-wonky Washington. I know there aren't regular Cabinet meetings anymore where all the secretaries gather around a big table and hash out all the issues of the country. Imagine, though, a perfect White House, where Cabinet officials did often collect, and among them sat a political outsider, a generalist who could offer rich historical insight from the humanities and visionary thinking from the arts.

PHOTOS: Arts and culture in pictures by The Times

Ideally, a secretary of Culture should be a political outsider, able to function as a moral conscience for all decision making. He or she would further serve as someone able to ask the hard questions, to see the world from possibly unexpected angles and help prompt new solutions to old problems. As artists know and politicians refuse to acknowledge, all you have to do to create change is change your mind.

So whom could we get? Who could speak in such a way that the right and left would listen? Who from the arts or the humanities could possibly win the respect of expert wonks? Who could inspire a divided nation?

I've saved my suggestions for last because you're going to think them outlandish. They're not.

First, I nominate Peter Sellars. Stop laughing. How is an L.A.-based theater, opera and festival director who sports spiky hair, strings his own beads, buys his clothes at thrift shops and regularly courts controversy ever going to become a national spokesperson, to say nothing of a Washington official?

Sellars, however, happens to be one of the most persuasive and inspirational public figures we have. He exhibits a bottomless empathy and spirituality with broad reach. Yes, some of his productions have been left-leaning, but he can, one on one, reach just about everyone. He is politically motivated and sophisticated. He thinks profoundly about social issues.

He also has a way with politicians. A few years ago he was asked to speak at the World Economic Forum in Davos, Switzerland, about nuclear proliferation — something he became highly knowledgeable about when he and composer John Adams put on "Doctor Atomic," an opera about the creation of the atomic bomb. Sellars held heads of state in awe.

My second nomination is Leon Botstein, president of Bard College in New York state. He is one of our few remaining public intellectuals and a renaissance man, which means he is a conductor, educator and scholar. He too is unusually persuasive when speaking on any number of issues to any kind of audience.

Yes, he's also a liberal, one who as a young man could hold his brilliant own against William F. Buckley on "Firing Line." But he is just as brilliant an administrator who, in his nearly 40-year tenure at Bard, has made the school into one of the most progressive and prominent humanities colleges in the country by appealing to donors on all sides of the political spectrum. He's an egghead who goes on "The Colbert Report."

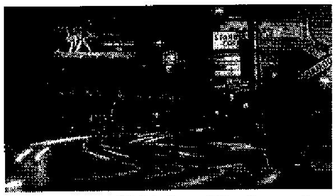
Botstein makes things happen, and he makes them happen by persuading people to look beyond their preconceptions, to view society in broad and grand terms. He is someone politicians and the people could listen to.

So what is the likelihood that Obama will announce on the steps of the Capitol on Monday that over these next four years he wants to make the arts a national priority and for that reason he is now nominating Sellars or Botstein to the newly created post of secretary of Culture? Zero. He's not crazy.

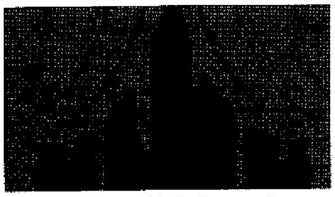
Still, if Albania can have one, why can't we?

mark.swed@latimes.com

MORE



INTERACTIVE: Christopher Hawthorne's On the Boulevards



Depictions of violence in theater and more

PHOTOS: Arts and culture in pictures

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From: Skip Rimer [redacted]
Sent: 4/25/2013 4:20:39 PM
To: Jeffrey Epstein [jeevacation@gmail.com]
CC: [redacted]
Subject: A message to Global Conference 2013 Attendees

Importance: High

Dear Global Conference Registrant:

We look forward to seeing you in a few days at the 16th annual Milken Institute Global Conference. It's a full and exciting program with a record 620 speakers on 140+ sessions addressing the major economic and policy issues of the day. In addition, we have many other events in store that we hope will make your time with us that much more valuable and enjoyable, including a first-time Tuesday night wine tasting and shopping event in the heart of Beverly Hills.

We've made a number of other changes to this year's program, including the addition of three late-afternoon plenary sessions – featuring **Congressman and Majority Leader Eric Cantor** together with **Sen. Harry Reid, Majority Leader** (Monday); **former Vice President Al Gore** (Tuesday); and a special session focused on Africa's brightening future (Wednesday), described below.

We have also added a larger stage in the Global Conference Pavilion, allowing for a variety of more innovative sessions and audience involvement.

Please note two important program/speaker updates:

- We've saved one of the best for last. The Global Conference closes on Wednesday with "Investing in African Prosperity," featuring **Rwandan President Paul Kagame**, **former British Prime Minister Tony Blair**, **philanthropist Bill Gates**, and **Rhonda Zygocki of Chevron**, moderated by **Institute Chairman Mike Milken**.

- Wednesday's lunch program brings together some of America's most important health leaders, including **Nancy Brown, CEO of the American Heart Association**; **Francis Collins, Director of the National Institutes of Health; Thomas Frieden, Director of the Centers for Disease Control and Prevention**; and **Andrew von Eschenbach, former Commissioner of the Food and Drug Administration**, to talk about the scientific revolution that promises to change lives and society.

We may have moved some panels since you set your schedule, so I encourage you to visit www.globalconference.org for the latest speakers and program.

Within the next 24 hours, you will be receiving your Global Conference confirmation email. Be sure to bring the confirmation email and a photo ID with you to registration.

We look forward to seeing you. I hope you take advantage of everything the Global Conference has to offer. Most important, have a great time.

Sincerely,

Skip Rimer
Executive Director of Programs and Communications
Milken Institute

From: Darren Indyke[redacted]
Sent: 10/23/2014 5:09:04 PM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: Fwd: Google Alert - Jeffrey Epstein

Importance: High

DARREN K. INDYKE
DARREN K. INDYKE, PLLC
575 Lexington Avenue, 4th Floor
New York, New York 10022
Telephone: [redacted]
Telecopier:
Mobile: [redacted]
email: [redacted]

****
The information contained in this communication is confidential, may be attorney-client privileged, and is intended only for the use of the addressee. It is the property of Darren K. Indyke, PLLC. Unauthorized use, disclosure or copying of this communication or any part thereof is strictly prohibited and may be unlawful. If you have received this communication in error, please notify us immediately by return e-mail, and destroy this communication and all copies thereof, including all attachments.
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****

Begin forwarded message:

From: Google Alerts <googlealerts-noreply@google.com>
Subject: **Google Alert - Jeffrey Epstein**
Date: October 23, 2014 at 2:51:00 AM EDT
To: [redacted]

Jeffrey Epstein

As-it-happens update · October 23, 2014

NEWS

Clinton's Pardons for Pedophiles
FrontPage Magazine
Jeffrey Epstein, a top Clinton pal, had sexually abused a large number of children, including three 12-year-old girls. He had boasted of “buying” ...

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From: Kathy Ruemmler [redacted]
Sent: 10/24/2014 6:25:22 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Fwd: Story on you

Importance: High

---------- Forwarded message ----------
From: "Pickler, Nedra" <[redacted]>
Date: Oct 24, 2014 2:23 PM
Subject: Story on you
To: "Kathy Ruemmler" <[redacted]>
Cc:

Slug: BC-US--Obama-Attorney General,2nd Ld-Writethru

Headline: Former Obama lawyer nixes attorney general offer

Extended Headline: Former White House counsel turns down chance to succeed Eric Holder as attorney general

Byline: By NEDRA PICKLER

Bytitle: Associated Press

WASHINGTON (AP) — Former White House counsel Kathryn Ruemmler has told President Barack Obama she doesn't want to be nominated for attorney general, after he asked her to consider succeeding Eric Holder, people familiar with the discussions told The Associated Press on Friday.

Ruemmler was concerned that her experience as a close adviser to the president would have led to a difficult confirmation process in the current highly charged partisan environment, the sources said, speaking on a condition of anonymity because they were not authorized to discuss private discussions. They say Ruemmler, a top official at the Justice Department before moving to the White House, was also concerned that could ignite political attacks against Obama.

Ruemmler's withdrawal, in a phone call to the president Wednesday, leaves no obvious front-runner to replace Holder, who announced a month ago that he would step down once a replacement was confirmed. Ruemmler brought the law enforcement bonafides of a former prosecutor in the Bush administration who won convictions against Enron's executives and the national security expertise of a top White House official.

Other candidates that administration officials have said have been considered include Solicitor General Don Verrilli; Labor Secretary Tom Perez; Loretta Lynch, U.S. attorney for the Eastern District of New York; Preet Bharara, U.S. attorney for the Southern District of New York; Jenny Durkan, who resigned as U.S. attorney in Washington state last month; former Homeland Security Secretary Janet Napolitano; Tony West, who recently resigned as the No. 3 official at the Justice Department and has taken a job at Pepsico; and Deputy Homeland Security Secretary Alejandro Mayorkas.

Ruemmler, now a partner at Latham & Watkins specializing in government investigations, had the closest relationship of the attorney general candidates to the president after serving as his legal gatekeeper at the White House. But that relationship also would have brought tough scrutiny, with Republicans likely to question her handling of controversies involving the IRS, Benghazi and the investigation of a White House volunteer in a prostitution scandal.

Obama's aides say he has not yet made up his mind on whom to nominate and won't announce a choice until after the Nov. 4 elections, in part to avoid making the nominee into a political issue facing embattled Democratic candidates. They say he also hasn't decided whether to seek confirmation in the Senate's lame duck session later this year or to wait until the new year, when Republicans are expected to pick up seats if not win outright control.

White House chief of staff Denis McDonough said in a statement, "Kathy is someone who always tells it like it is, is a world class lawyer and remains a trusted adviser to the president. Anyone who knows Kathy knows she has impeccable judgment, extraordinary foresight and is a formidable force. But she is also as selfless as they come, and the president is proud to call her a close friend."

___

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From: Darren Indyke [redacted]
Sent: 11/8/2014 1:20:15 AM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: Fwd: Breaking News: Obama to Nominate Loretta Lynch as U.S. Attorney General

Importance: High

Sent from my iPhone

Begin forwarded message:

From: NYTimes.com News Alert <nytdirect@nytimes.com>
Date: November 7, 2014 at 6:06:16 PM EST
To: [redacted]
Subject: Breaking News: Obama to Nominate Loretta Lynch as U.S. Attorney General

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BREAKING NEWS Friday, November 7, 2014 6:04 PM EST

Obama to Nominate Loretta Lynch as U.S. Attorney General

President Obama will nominate Loretta E. Lynch, the top federal prosecutor in Brooklyn, to succeed Eric H. Holder Jr. as attorney general, people close to the process said Friday.

If confirmed, she would be the first African-American woman to serve as the nation's top law enforcement official. She would also be a rare instance of Mr. Obama's reaching outside his inner circle to fill a crucial post.

READ MORE »

http://www.nytimes.com/2014/11/08/us/politics/loretta-lynch-eric-holder-attorney-general.html?emc=edit_na_20141107

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Date: Saturday, January 24 2015 05:22 AM
Subject: Fwd: January 23, 2015
From: jeffreyepsteinorg@gmail.com
To: Jeffrey Epstein <jeevacation@gmail.com>;
Attachments: photo_1(2).jpg; photo2.jpg; photo2.jpg; WP_20150123_005.jpg; 19th Century Medici Lions.png; Florence.png

---

---------- Forwarded message ----------
From: <[redacted]>
Date: Fri, Jan 23, 2015 at 5:36 PM
Subject: January 23, 2015
To: jeffrey@jeffreyepstein.org

Dear Mr Epstein,

Further to emails of January 21, I crossed an image of a rare 17th Century Marble Bust of Roman Emperor Vitellius you purchased from me during the second half of the 90's.

I recalled upon many occasions you visiting Bennison, Pimlico Road and being extremely respectful and courteous, as Miss Maxwell was on each occasion.

From recent media reports about you and our Prince Andrew, I do not believe you, Miss Maxwell and Prince Andrew would undermine your conduct the way reports are suggesting.

I feel for you all and hope this episode clears so you can concentrate on your professional activities that do positive things for our countries.

You may have heard a report an interesting report conducted by a genius Lawyer Michael Shrimpton - Michael Shrimpton youtube - Exposes Ted Heath (and others)

The report is shocking and is not a hair-line what you are wrongly accused of (based upon our many meetings).

Further David Dicke reports on the USA former President George W. Bush Senior which again is shocking, unbelievable, unacceptable...

Mr Michael Shrimpton & Mr David Dicke are worth watching if you haven't yet crossed their researching of public figures that have (literally by reports) got away with murder.

Please find attached an image of Vitellius, pair of 19th Century Medici Lions (that are perfect for one of your estates), emperor Vespasian and a pair of Piranesi Engravings for your consideration.

Do not hesitate to contact me should you require more details.

Warm regards,

Yours sincerely,

Mark Green.

Cel. [redacted]

BEST WISHES TO THE THREE OF YOU!!!

---Original Message---
From: mcgreenantiques <[redacted]>
To: jeffrey <jeffrey@jeffreyepstein.org>
Sent: Wed, 21 Jan 2015 19:04
Subject: January 21: A Pair of 19th Century Carved Sicilian Marble Figures of the Medici Style Lions -

Dear Mr Epstein,

Hope you are well!

Please find attached images of:

A POWERFUL AND IMPORTANT PAIR OF 19TH CENTURY FINELY CARVED SICILIAN MARBLE FIGURES OF LIONS

IN THE MANNER OF THE MEDICI LIONS

DIMENSIONS: HEIGHT 77" - 196 CMS (INCLUDING PLINTH BASES) x LENGTH 39" - 99 CMS x WIDTH 16" - 41 CMS

£160,000= RETAIL

£120,000= TRADE Plus 5% Commission

THE LIONS REPRESENT 'GRAND TOUR SOUVENIR' WORKS OF ART AND WOULD HAVE BEEN COMMISSIONED TO DECORATE THE GROUNDS OF AN HISTORICAL HOUSE

The original figures were commissioned by 'Ferdinando I de'Medici' and were excuted by Giovanni di Scherano Fancelli in c.1598, and accompanied by a mirror-image version by contemporary sculptor Flaminio Vacca (1538-1605).

The original pair remained in Rome until 1789, before being moved to Loggia dei Lanzi in Florence, where they can still be seen today. The two sculptures were hugely influential in eighteenth-century Europe: copies and versions can be found from landscape gardens to mantlepieces

The figures are museum quality.

The lots are currently located in Barnwell Manor, Barnwell, near Oundle, Peterborough, PE8 5PJ.

They are the finest examples of 19th Century 'Grand Tour Souvenir' works of art of 16th Century sculpture outside of a museum.

Should you require more details please do not hesitate to contact me.

Yours sincerely,

Mark Green.

Cel. [redacted]

--

Jeffrey Epstein VI Foundation
Christina@jeffreyepstein.org

From: [redacted]
Sent: 3/29/2015 2:22:23 PM
To: jeevacation@gmail.com
Subject: Fwd: Do you know this Guy? You should
Attachments: MailAttachment.jpeg; MailAttachment.jpeg; MailAttachment.jpeg; MailAttachment.jpeg

Importance: High

From: [redacted]
To: [redacted]
Sent: 3/28/2015 5:59:43 P.M. Eastern Daylight Time
Subj: Fwd: Do you know this Guy? You should

-----Original Message-----
From: Sample, Elizabeth [redacted]
To: Norman D. Rau [redacted]
Sent: Sat, Mar 28, 2015 5:24 pm
Subject: Fwd: Do you know this Guy? You should

Elizabeth Lee Sample
Senior Global Real Estate Advisor/Associate Broker
Sotheby's International Realty
38 East 61st Street
New York, NY 10065
[redacted]
[redacted]

http://www.samplepowers.com/
[Click here to view my listings]

Karlie Jamison
Licensed Salesperson/Executive Administrator
[redacted]

Begin forwarded message:

From: "Fitz Corr" < [redacted]>
Date: March 27, 2015 at 5:24:21 PM EDT
To: "Fitz Corr" [redacted]
Subject: Do you know this Guy? You should

Subject: Do you know this Guy? You should

Do You Know This Guy?

He is Edward "Ed" Mezvinsky, born January 17, 1937. And so who is Ed Mezvinsky?

Well, he is a former Democrat congressman who represented Iowa's 1st congressional district in the United States House of Representatives for two terms, from 1973 to 1977.

He sat on the House Judiciary Committee that decided the fate of Richard Nixon.

He was outspoken saying that Nixon was a crook and a disgrace to politics and the nation and should be impeached.

He and the Clintons were friends and very politically intertwined for many years.

Ed Mezvinsky had an affair with NBC News reporter Marjorie Sue Margolies and later married her after his wife divorced him.

In 1993, Marjorie Margolies-Mezvinsky, then a freshman Democrat in Congress, cast the deciding vote that got President Bill Clinton's controversial tax package through the House of Representatives.

In March 2001, Mezvinsky was indicted and later pleaded guilty to 31 of 69 counts of federal criminal bank fraud, mail fraud, and wire fraud.

Ed Mezvinsky embezzled more than $10 million dollars from people via both a Ponzi scheme and the notorious Nigerian e-mail scams.

He was found guilty and sentenced to 80 months in federal prison.

After serving less than five years in federal prison, he was released in April 2008 and remains on federal probation.

To this day, he still owes $9.4 million in restitution to his many victims.

About now you are saying, "So what!"

Well, this is Marc and Chelsea Mezvinsky.

HUBLOT
GENEVE
amfAR
amfAR
25

That's right; Ed Mezvinsky is Chelsea Clinton's father-in law.

Now Marc and Chelsea are in their early thirties and purchased a $10.5 million NYC apartment.

Has anyone heard mention of any of this in any of the media?

If this guy was Jenna or Barbara Bush's, or better yet, Sarah Palin's daughter's father-in- law, the news would be an everyday headline and every detail would be reported over and over and over.

And yet liberals say there are no double standards in political reporting.

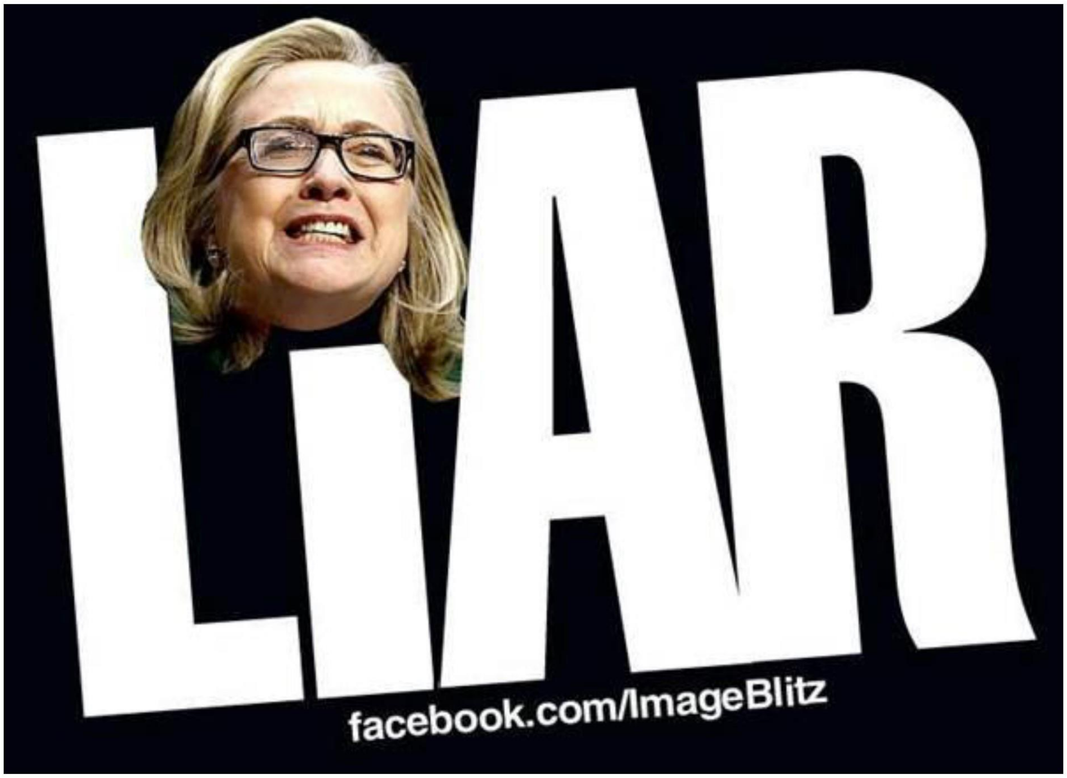
And people are already talking about Hillary as our next President!

And then there is possibly Chelsea for president in our future!

The cycle never ends!

Lying and corruption seem to make Democrat candidates more popular.

WAKE UP AMERICA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I have removed all previous addresses before sending this to you as well as sending it to you as a "blind copy". Please remove my address before forwarding.

From: Ehud Barak [redacted]]
Sent: 4/23/2015 3:31:35 PM
To: Epstein Jeffrey [Jeevacation@gmail.com]
Subject: Fwd: Bill Clinton on Virtues of North Korean Nuclear Deal - History Repeats Itself

Importance: High

Hi Jeff

Subject: Bill Clinton on Virtues of North Korean Nuclear Deal - History Repeats Itself

Fyi
Best
EB

Check out this video on YouTube:

http://youtu.be/6TcbU5jAavw

Sent from my iPhone

From: Richard Kahn [redacted]
Sent: 7/23/2015 7:39:58 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: trump interview with anderson cooper

Importance: High

he is a character..

http://www.realclearpolitics.com/video/2015/07/22/trump_to_anderson_cooper_during_interview_the_people_dont_trust_you_and_the_media.html

Richard Kahn
HBRK Associates Inc.
575 Lexington Avenue 4th Floor
New York, NY 10022
tel [redacted]
fax [redacted]
cell [redacted]

From: [redacted]
Sent: 8/4/2015 10:23:22 PM
To: Allen West [redacted]; Rafael Bardaji [redacted]; Philip Kafka [redacted] Herb goodman [redacted] Grant Seeger [[redacted]; Lisa albert [[redacted]]; janet kafka [redacted]]; James Ramsey [redacted] ACT for America [[redacted]]; john zouzelka-cell [redacted]; Joel Dunn [redacted]]; [redacted]; Nate mcclain [redacted]; [redacted]; Bennet Greenwald [redacted]; taal safdie [redacted]]; uri fouzailov [redacted] Neil anderson [redacted] nate white [redacted] rita hortenstine [redacted] Henry hortenstine [redacted] Gary Gross [redacted]; Forrest Miller - adj kearsarge house [redacted]; Bennett Schmidt [redacted] Val sherman [redacted] Marcie brown [redacted]]; Mark epstein [redacted]; jeff epstein [jeevacation@gmail.com]; Michael Stechel [redacted]]; michael buchholtz [[redacted]; Michael horowitz [[redacted] Marshall Funk [redacted]
Subject: Fw: The Iran Nuclear Deal

Importance: High

Pls spent 2 minutes and watch this dennis prager video on iran deal. And then forward it if you agree. If not, I understand and just delete. Respectfully, terry
Sent via BlackBerry by AT&T

From: Mike Cohen <[redacted]>
Date: Tue, 4 Aug 2015 22:00:42 +0000
To: Terry Kafka ([redacted]>
Subject: FW: The Iran Nuclear Deal

From: Mike Cohen
Sent: Monday, August 03, 2015 7:16 PM
Subject: FW: The Iran Nuclear Deal

Dear Friends,

PLEASE watch this very important short and incredibly clear video regarding the Iran deal.

If you have not yet called your congressmen and asked other friends and relatives to do so, PLEASE do that as well. The wellbeing of your children and grandchildren depend upon it!

Mike

The Iran Nuclear Deal

Dear Friend,

This week, our featured video is as urgent as it gets. Just days after President Obama and Secretary of State John Kerry announced the nuclear deal with Iran, Dennis Prager was in studio recording a video explaining why the deal is so dangerous, and how it parallels what happened in 1938 between Great Britain and Nazi Germany. This is the fastest turn-around time on any video we've released in PragerU's history, but what's at stake is so monumentally important, we knew we couldn't waste any time. So please take five minutes to watch the video. Forward it to your family, friends, and the offices of your Congressional representatives. We all have an obligation to do whatever is in our power to impact as many people on this topic as we can.

Click image above or here to watch this video

From: Richard Kahn [redacted]
Sent: 9/23/2016 3:03:49 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Trump is headed for a win, says professor who has predicted 30 years of presidential outcomes correctly

Importance: High

https://www.washingtonpost.com/news/the-fix/wp/2016/09/23/trump-is-headed-for-a-win-says-professor-whos-predicted-30-years-of-presidential-outcomes-correctly/

Richard Kahn
HBRK Associates Inc.
575 Lexington Avenue 4th Floor
New York, NY 10022
tel [redacted]
fax
cell

****
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****

Begin forwarded message:

> **From:** Darren Indyke <[redacted]>
> **Subject: Donald Trump Rape Lawsuit Refiled With New Witness | Law News**
> **Date:** October 1, 2016 at 4:40:32 PM EDT
> **To:** Jeffrey Epstein <jeevacation@gmail.com>
>
> http://lawnewz.com/high-profile/trump-team-fires-back-after-jane-doe-refiles-rape-lawsuit-with-new-witness/
>
> Sent from my iPhone

From: Darren Indyke [redacted]]
Sent: 10/18/2016 8:20:31 PM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: Rigging the Election - Video I: Clinton Campaign and DNC Incite Violence at Trump Rallies - YouTube
Attachments: WebPage.pdf; Untitled attachment 405057.htm

Importance: High

Hysterical.

DARREN K. INDYKE
DARREN K. INDYKE, PLLC
575 Lexington Avenue, 4th Floor
New York, New York 10022
Telephone: [redacted]
Telecopier: [redacted]
Mobile: [redacted]
email: [redacted]

****
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****

https://www.youtube.com/watch?v=5IuJGHuIkzY

From: Zubair Khan [redacted]]
Sent: 10/25/2016 9:07:53 AM
To: jeffrey E. [jeevacation@gmail.com]
Subject: US Presidential Election Update
Attachments: US_Report3.pdf; Untitled attachment 406272.htm

[redacted]

Importance: High

Hi Jeffrey,

Please find attached report of InsightsPod generated after third US Presidential debate. Trump's popularity has increased after third debate.

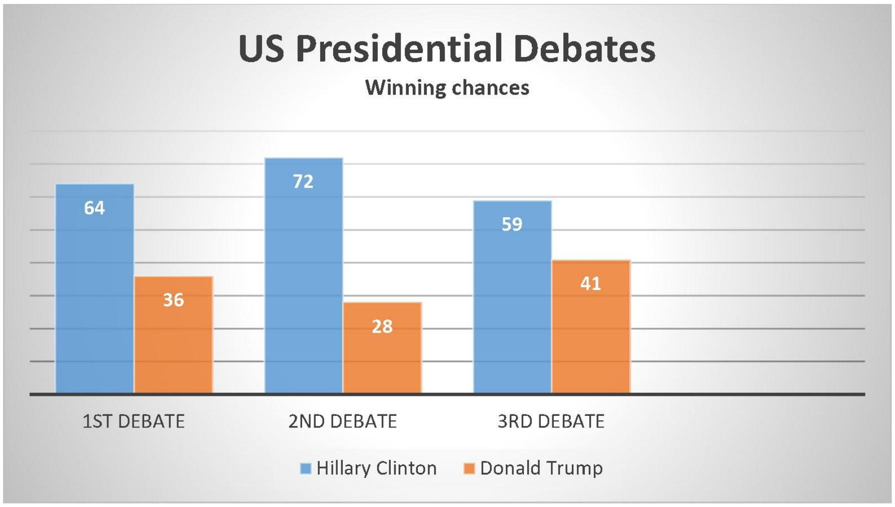
Regards,
Zubair

US Election Debate 19 Oct, 2016

Since the 3rd US Presidential Election debate stated till now, we have captured **4.4 Million** tweets.

Here is the performance of candidates:

1.	Donald Trump	Positive – 22.89%	Neutral – 14.38%	Negative – 62.73%
2.	Hillary Clinton	Positive – 34.18%	Neutral – 16.02%	Negative – 49.80%

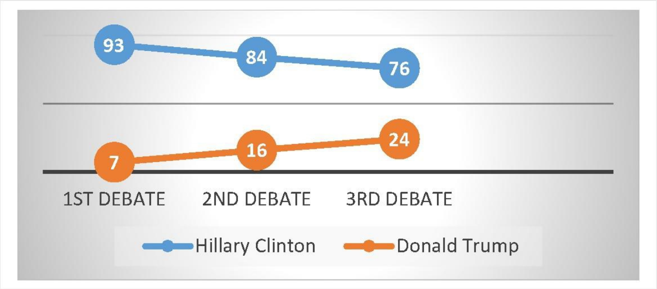


Winning Chances

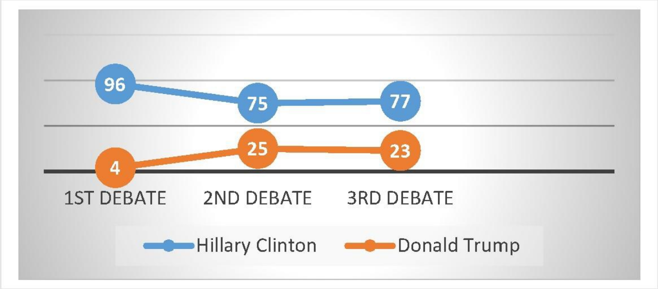
Clinton: 59% – Trump: 41%

Winning chances in US States

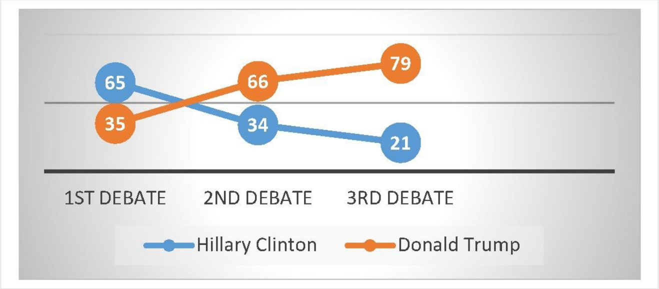
New York Trump 24% - Clinton 76%



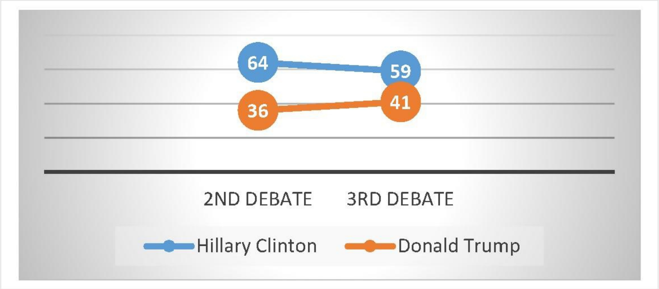
California Trump 23% - Clinton 77%



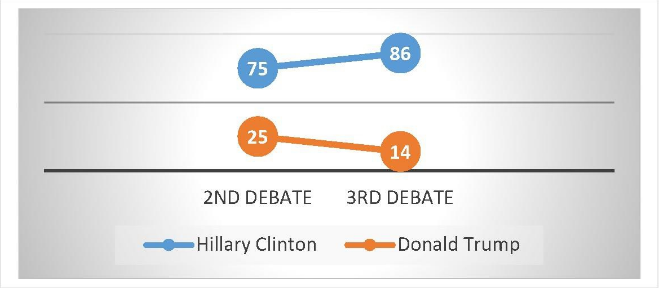
Texas Trump 79% - Clinton 21%



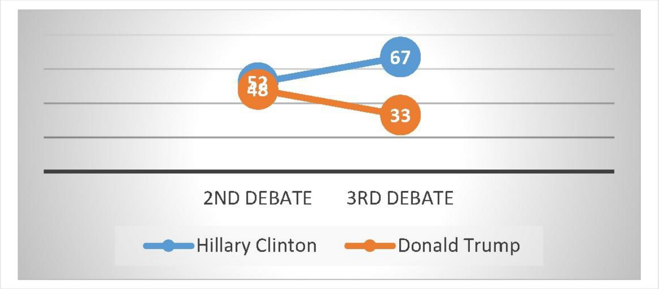
North Carolina Trump 41% - Clinton 59%



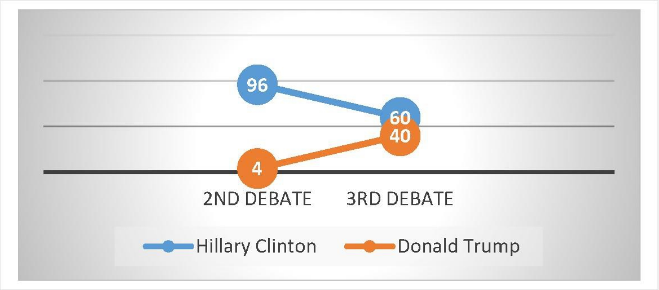
Florida Trump 14% - Clinton 86%



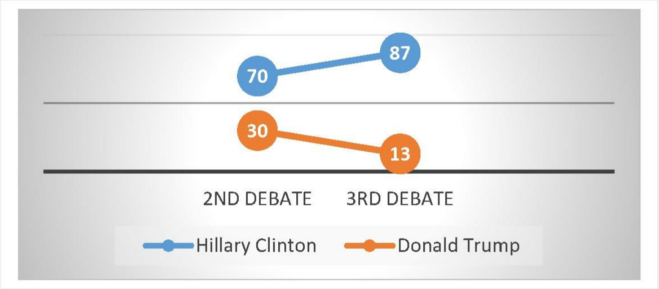
Washington Trump 33% - Clinton 67%



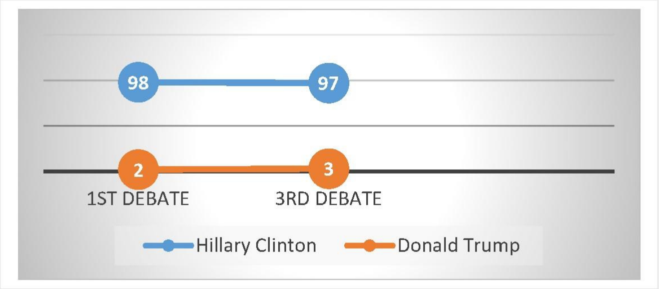
Ohio Trump 40% - Clinton 60%



New Jersey Trump 13% - Clinton 87%



Michigan Trump 3% - Clinton 97%



From: Richard Kahn [[redacted]]
Sent: 10/28/2016 12:34:36 PM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: Trump will win the election and is more popular than Obama in 2008, AI system finds

Importance: High

http://www.cnbc.com/2016/10/28/donald-trump-will-win-the-election-and-is-more-popular-than-obama-in-2008-ai-system-finds.html

Richard Kahn
HBRK Associates Inc.
575 Lexington Avenue, 4th Floor
New York, NY 10022
[redacted]

From: jeffrey E. [jeevacation@gmail.com]
Sent: 10/30/2016 4:40:14 PM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: contacts

Importance: High

edelman, set martin, tata, susskind, strominger, rynolds. kosslyn, krause, gardner. bill thiel. hoffman, sinofsky, nathan feigenbaum, ramachandrain , demsaio, christakis, dennet, sheldrake, fewick, gellman, west kaufman, seligman, kurzweill ben goertzel, gould, saks mandelbrot, hopkins, mitchell kerry, clinton , richardosn, mapp , leahy, spitzer, shcumer, pruseven waheed mandelson, ehud, lang churkin, sergey, . jagland, andrew, woody blaine, boris, larry summers.

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 11/1/2016 6:45:15 PM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: Fwd: contacts

Importance: High

---------- Forwarded message ----------
From: **jeffrey E.** <jeevacation@gmail.com>
Date: Sun, Oct 30, 2016 at 5:40 PM
Subject: contacts
To: Jeffrey Epstein <jeevacation@gmail.com>

edelman, set martin, tata, susskind, strominger, rynolds. kosslyn, krause, gardner. bill thiel. hoffman, sinofsky, nathan feigenbaum, ramachandrain , demsaio, christakis, dennet, sheldrake, fewick, gellman, west kaufman, seligman, kurzweill ben goertzel, gould, saks mandelbrot, hopkins, mitchell kerry, clinton , richardosn, mapp , leahy, spitzer, shcumer, pruseven waheed mandelson, ehud, lang churkin, sergey, . jagland, andrew, woody blaine, boris, larry summers.

dersh reummler, marty, roy, ken, jay, lilly jack, rhinehart. chet tonja, lefcourt, moscowitz. raafat, sultan hamad jabor . karim, outarra, mohmaaed. , pastrana, cas gtro,

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We recently met with Apollo's management

We recently met with Apollo Co-Founder Josh Harris and CFO Martin Kelly, who were optimistic about the growth opportunities for the firm and the recurring fee outlook, although they expect meaningful upside in DE (distributable earnings) to take time given seasoning of funds. While it is too early to have a clear view on the potential tax impact to APO and the sector from a tax overhaul, management is keeping a close eye on all potential scenarios (carried interest tax rate, C-corp vs. PTP with lower corp tax, and interest deductibility). While we are raising our PO to $21 and continue to see attractive growth for APO, given valuation and muted DE levels, we maintain our Neutral rating.

Post-election outlook for their business

Management sees the election outcome (Trump and Republican Congress) to be likely favorable for GDP growth (portfolio company EBITDA trends), with the potential for rising rates and inflation to eventually create some volatility and uncertainty on multiples. In addition, potential de-regulation could create more competition in some areas that the alternative asset managers have expanded into over the last few years, although the team still sees ample opportunity for growth.

Potential tax changes a mixed bag

There are three primary tax items that could potentially impact APO and the industry. First, the tax rate on carried interest could go higher, which would increase the tax rate on carry for employees and on a portion of the distribution for some unitholders (this has generally been expected at some point, given bi-partisan support). Second, if the corporate tax rate is reduced to 15-20%, this could create an incentive for firms to shift from a partnership structure to a c-corp structure, which would simplify the tax issues and entertain a larger investor base (including possible index inclusion). Finally, if the corporate tax rate is lowered, it has to be funded with an offset to have enough support and, as of now, the primary item being considered is the loss of corporate interest tax deductibility, which would be a significant negative for the sector. Given the pros and cons and it being very early in the process, there is no clear cut view, but tax reform will be an important item for the industry moving forward.

Attractive growth and FRE outlook ahead

Management sees the growth outlook as attractive, particularly in Credit. Apollo has multiple areas to drive double-digit growth, including Athene, Mid-Cap Financial, AAME (Apollo Asset Management Europe) and Total Return. Rising interest rates could be a near-term risk to credit valuations, but APO's overall duration is low or matched, and higher interest rates could benefit yields and make it easier to achieve hurdles in certain products. Longer term, the team wants Real Estate to be more significant. Importantly, with Apollo starting the process for PE Fund IX, the combination of this fund with growth in Credit bodes well for the FRE (fee-related earnings) outlook into 2017-18.

DE will take a bit of time, but Fund VIII looks attractive

The outlook for DE is favorable with rising FRE, but the real lift will be driven by carried interest over time. The key fund to drive meaningfully higher DE is Fund VIII and, while still early in its life cycle, given its strong performance, the outlook into 2018-20 is attractive. We estimate that Fund VIII could return more than $2.0B of cash carry for unitholders, or around $5 per share, assuming a 2.0x MOIC and typical compensation.

Michael Carrier, CFA

From: Richard Kahn [redacted]
Sent: 11/29/2016 3:37:46 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Tax Planning Under Trump

Importance: High

not sure your thoughts on likelihood of his plan (with very little details) passing
my concern and thoughts are that if itemized deductions are capped at 200,000 you will be impacted by Trump plan
your itemized deductions on the last 2 years returns were as follows:

2015	1,721,474
2014	739,139

the two biggest items on your itemized are RE Taxes of approximately 600,000 per year and investment interest expense from STC K-1 with the majority coming from boothbay

i thought that 2016 may be a good year to contribute appreciated stock to gratitude or enhanced for three reasons:

a) potential cap on itemized per trump
b) very low EDC income this year so your effective tax rate is higher
c) if itemized stays however tax rates go down charitable deduction is worth more in 2016

Gratitude & Enhanced Summary

Cash	4,738,854
Equities	3,792,177
Fixed Income	2,199,792

Total Value as of 10-31-2016 10,730,823

Although calculation below does not factor in growth i ran summaries how long foundations can continue to make annual contributions at the following levels:

600,000	17.88 years
700,000	15.33 years
800,000	13.41 years
900,000	11.92 years
1,000,000	10.73 years

http://smolin.com/tax-planning-trump/?utm_medium=email&_hsenc=p2ANqtz-9cVvrtlu7t-PS2aTSDot_MfPqLyf5nz-HEqoO0HZ2p1m4IPpx2ofWoKVEtA4VNoa5V7IKOjpCBUneb1DWflemNH1V25wqIpsR66ZSueRTahNjres8&_hsmi=38093530&utm_content=38093530&utm_source=hs_email&hsCtaTracking=04192ff7-d8f4-4bdc-ac61-36ac99f6aa45%7C515b98b3-dbce-47cd-87ad-20d95c646158

Richard Kahn
HBRK Associates Inc.
575 Lexington Avenue 4th Floor
New York, NY 10022
tel [redacted]
fax [redacted]
cell [redacted]

From: Thomas Jr., Landon[redacted]
Sent: 11/29/2016 6:33:42 PM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: Fwd: My Thoughts on Currencies

Importance: High

The smartest/most amusing piece of research I have read so far on Trump/global economy. You should pass on to DJT brain trust on economy/markets
---------- Forwarded message ----------
From: **Eurizon SLJ Capital Limited** <research@research.sljmacro.com>
Date: Tue, Nov 29, 2016 at 10:51 AM
Subject: My Thoughts on Currencies
To: [redacted]

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Click here to view online

www.eurizonsljcapital.com

My Thoughts on Currencies

Stephen L Jen (London)

November 29, 2016

Bottom line. Some retracement in the market trends we've seen since November 8 makes sense, in light of the magnitudes of the moves as well as the upcoming event risks (Italian referendum, OPEC meeting, and the FOMC meeting). But I think none of these events will likely surprise the markets, and President-Elect Trump will likely continue to drive the markets, extending the recent trends. By the way, he has left the US Treasury Secretary post last to be filled, and it is the most important appointment for the markets as it will both reflect and influence key policies on trade, tax cuts, and infrastructure spending. (1) The doves at the Fed have been silenced as, under President Trump, the US policy mix will likely be less lop-sided and the emphasis will be on Arrow 3, with Arrow 1 being downgraded. I think the effective demotion of the Fed has just begun. Its independence will likely be challenged, as it should be, in my personal view. November 8 marked the beginning of the end of the financial repression in the US. (2) Generating outsized economic growth will be key to settling several important inconsistencies in macro. I will elaborate on this point below. But the market trends witnessed since November 8 will not be sustained unless Mr Trump's policies indeed lead to significantly higher nominal GDP growth. (3) The mainstream media remain negative on Mr Trump, but this will keep the hurdle low, and in turn pressure President Trump to deliver early in 2017 and thus for him to impress favourably. A shift away from identity politics, in my view, based on my personal experience from Taiwan, should lead to positive economic progress. Investors won't need to wait long for there to be more concrete announcements on the various parts of Arrow 3, including both the content of the policies as well as their sequencing. (4) FWIW, my two policy recommendations to the reformers are (i) design an effective global taxation scheme to properly tax multi-national corporations and (ii) adopt industrial policies to help countries focus on their comparative advantages. The US, UK, Japan, and Italy are all prime candidates to do (ii). (5) The dollar is already moderately over-valued, but this will not prevent it from strengthening further, especially against the EM currencies. Think in terms of 'growth alpha' and 'growth beta.' Much of EM, including China since February of this year, have not possessed 'growth alpha' and have continued to rely on 'growth beta' vis-à-vis the rest of the world. I struggle to think of key reforms that EM countries have embarked on in recent years: even countries like France and Italy have undertaken more reforms than most EM countries. Squeezed by (i) a more hawkish Fed, (ii) a China that will continue to soft land, and (iii) a potentially more inward-looking US, EM will struggle without 'growth alpha.' I think we may be entering into a period of differentiation among the EM markets: those that have 'growth alpha' will be rewarded while those that continue to rely on 'growth beta' will not. (6) The world according to Trump will be more Darwinian for countries and less Darwinian for US citizens.This notion applies to investing in EM, to countries' growth prospects, and to international competition – (potentially) very different from the last few years, when 'the Fed was the only game in town' and everyone and everything floated higher by central bank liquidity… In any case, the dollar should be in a good position to thrive, I think.

Economic Olympics. The markets are no longer driven only by the Fed and central bank policies, but by forward-looking policy inclinations. The 'false economy' that central banks have nurtured will gradually be replaced by real economies. In my view, Mr Trump's victory will have many social, geopolitical, and economic consequences, but for investors I think he will start a period of 'Economic Olympics', whereby the federal governments around the world will take more responsibility and be more proactive to help their 'national teams' to become more competitive in this globalised world. (1) Free trade is in theory good for economic growth. But there are other policies (such as well-directed R&D, efficient investment, an effective educational system) that are also extremely important for long-term growth, but have been ignored in the past 15 years because of the globalisation fad. A slowdown in trade globalisation might not be bad for the global economy, if policy makers replace this engine of growth with other structural improvements. But while globalisation is more about 'growth beta', other types of structural reforms are about 'growth alpha' and federal/central governments around the world will need to make a greater effort at leading the economies to prevent them from falling behind. This is like a government-led program to win Olympic medals, without doping by central banks. (2) A client kindly brought to my attention an interesting report done by the Harvard Business School that touches on the idea mentioned above ('Problems Unsolved and a Nation Divided: the State of US Competitiveness 2016'). In it, several sensible and consequential points were made: '*The pressing need for a national economic strategy… Given the significant challenges facing the American economy, the U.S. needs a national economic strategy more than at any other time in recent history. A strategy is an integrated set of priorities that builds on strengths while acknowledging and tackling weaknesses… The U.S. lacks an economic strategy, especially at the federal level. The implicit strategy has been to trust the Federal Reserve to solve our problems through monetary policy… A national economic strategy for the U.S. will require action by business, state and local governments, and the federal government. All three levels have a crucial role to play in restoring competitiveness… Taking leadership in improving U.S. competitiveness is a pressing imperative for business leaders. Many companies have failed to invest enough in improving the business environments in the regions in which they operate…'* This report from the HBS also reiterates some recommendations they made in 2012: *'[Our] Eight-Point Plan consists of the following policy recommendations: simplify the corporate tax code with lower statutory rates and no loopholes; move to a territorial tax system like all other leading nations'; ease the immigration of highly-skilled individuals; aggressively address distortions and abuses in the international trading system; improve logistics, communications, and energy infrastructure; simplify and streamline regulation; create a sustainable federal budget, including reform of entitlements; and responsibly develop America's unconventional energy advantage.'* Interestingly, Mr Trump has discussed many of the same points. I personally think that, so far, identity politics has distracted from his message on economic reform. It is likely, I believe, that the focus of the general public will be moved to these critical economic reforms. (3) I repeat a point I've made in the past, that because the mainstream media and most scholars are still so skeptical of Mr Trump's policies, the hurdle for him to clear and impress positively is very low. Ironically, such general hostility will probably work in favour of the Trump Administration. 5 days after the surprise election victory, the press declared that Mr Trump's transition plan was in hopeless disarray, only for Mr Trump to announce one cabinet appointment every day – ahead of the schedule of Presidents Obama and Bill Clinton when they got elected. (4) We will likely see a less radical President Trump. We have already seen this on various issues (the Wall, prosecuting Ms Clinton), and my guess is that the trade policy will be more restrictive, but the changes will be nuanced at the same time. The appointment of the next Treasury Secretary will convey an important message. (5) I personally think that various countries will likely adopt industrial policies, as a substitute for slower trade globalization. Already, the UK's PM May announced an ambitious industrial strategy, with a focus on technology. The government is committed to investing in R&D through the Industrial Strategy Challenge Fund. Regular readers of our work should also know that that is what I would recommend for Japan to consider. I just came back from a trip to Singapore, and understand that the government there is also struggling to find the best strategy to deal with the next phase of economic development, now that the growth model based on trade and finance may be coming to an end. I think the US should also contemplate its own industrial policy. The title of this section is 'economic Olympics' to convey the notion that the world is in competition, not just along the axes of cheapness of labour and technology. There are different disciplines (analogous to the various sports in Olympics) in which any country can excel, if the efforts are appropriately focused. Instead of being mediocre in many events, countries should seek to win the gold medal in their best events…

5%-plus nominal GDP growth in the US in 2017? There are several inconsistencies in the market trends: (1) a strong dollar and strong US equities; (2) protectionism and a strong dollar (Mexico, for example, has gotten 10% cheaper so far this month, and China is also cheaper. The greater the threats of protectionism against these countries, the cheaper are their costs of production…); (3) higher yields and strong equities; (4) Mr Trump does not like Chair Yellen or the Fed but he still needs and prefers low interest rates. The only variable that can address these inconsistencies is 3-4% real economic growth and 5%-plus nominal GDP growth in the US. While it is unlikely that 5% nominal GDP growth is sustained over time, the atmospherics will stop the talk about 'r-star' and help support interest rates in the US. 2017 may very well see 5%-plus nominal GDP growth, and, in the event, the 10Y UST yield at 2.34% would not seem too high.

The dollar will continue to smile. Previously, we made the suggestion that the US dollar is on the right side of the Dollar Smile against the majors, but it is on the left side of the Dollar Smile against the EM currencies. Reaganomics-Lite should be positive for the dollar, even if the US' twin deficits could widen. 'America First' means that there will be a bifurcation in economic prosperity, that economic strength in the US will no longer translate, with the same elasticities as before, into prosperity in many parts of EM. (1) The dollar has begun a consolidation phase this week. But my guess is that it will be temporary and shallow, partly because the data (ISM and NFPRs) will be sufficiently strong to justify another Fed rate hike on December 14. The weekly claims data remain extraordinarily strong, while the second derivatives in the data in much of EM have ceased to be positive. (2) Further advances in the dollar, however, will of course depend on the policy announcements and delivery by the Trump Administration, as well as an apparent lack of an economic strategy in other countries. (3) Yield differentials have helped the dollar advance vis-à-vis the JPY and the EUR. However, I should note that the EMU economies are not doing that badly, though credit demand remains weak. PMI remains well above 50 and inflation has bounced away from zero. The main factor – other than yield differentials - weighing on the EUR is the risk that we will see more political uncertainty in Europe. (4) I came across an editorial arguing that Mr Trump's protectionist policies would hurt the dollar's international standing. While this may be a popular view – that the US, as a savings deficit nation, needs a globalised world to finance its external balance –I contest this conclusion. I think it will be extremely difficult for the international status of the dollar to be supplanted, even with Mr Trump as the President. The dollar losing its hegemonic status has been a popular thesis by many academics over the last twenty years – precisely the period when the dollar's international and reserve currency status has *risen*. In many ways, the sturdiness of the dollar's global status has surprised some people, because globalisation is supposed to lead to a multi-polar world where the US loses its dominance. That is certainly true for the real economy, but exactly the opposite has happened for the dollar. This is a point I've tried hard to make over the years, that financial globalisation is uni-polar, even though trade globalisation is multi-polar. Look at how the rise in the dollar is hurting, disproportionately, the high-yield and EM currencies. Further, which currencies might replace the dollar? The EUR itself is still in an existential crisis; nothing needs to be said about the JPY; China could not even dare opening up its capital account. In fact, Beijing has just issued even more 'strict controls' on overseas investment, after experiencing some USD207 billion in outflows in Q3 2016. Just because President Trump's prospective trade policy may not be politically correct does not imply that there will be a demise of the dollar, or that fewer people in the world would speak English in protest. If anything, I'm worried that a sharp rally in the dollar could trigger another financial crisis in EM… Don't get me wrong, I do not believe the dominance of the dollar is good for the global financial/monetary system. But it is a trend that is difficult to reverse, unless the structural integrity of the EUR is enhanced, and the foundations of the RMB market are improved. Increasing returns to scale have made English/dollar popular, and it will be increasingly difficult to challenge their roles as the world internationalizes. (5) The BIS recently published an interesting and important paper ('The Dollar, Bank Leverage and the Deviation from Covered Interest Parity,' by H.S. Shin et al., BIS WP 592) on how a stronger dollar could lead to a tightening in lending conditions in the rest of the world, including EM. *'[T]he value of the dollar plays the role of a barometer of risk-taking capacity in capital markets. In particular, it is the spot exchange rate of the dollar which plays a crucial role… [T]he strength of the dollar is a key determinant of bank leverage… Our results point to the financial channel of exchange rates, through which fluctuations in the strength of the dollar set in motion changes in capital market intermediation spreads that respond at a high frequency… [I]t is when the domestic currency appreciates, financial conditions in that country loosen, and CIP deviations narrow… [A] strengthening of US dollar has adverse impacts on bank balance sheets, which, in turn, reduces banks' risk bearing capacity.'* The findings of this paper are consistent with two of the points made above, that we may re-enter a phase that is not that positive for EM currencies and that the dominance of the dollar as an international currency is having unintended consequences for the rest of the world, out of line with the local fundamentals.

Trump and Europe. Political and social pressures have returned to Europe, and could continue to accentuate the centrifugal forces in the region. There are many risk events on the horizon, including the Austrian Presidential election on December 4 (the worry here is a victory for Mr Norbert Hofer of the far right party), the Italian referendum on Constitutional reform on December 4 (while a 'no' outcome is largely priced-in, an actual 'no' outcome may trigger a series of events in Italy that might pose some downside risks to Italian banks and in turn other European banks), the Dutch parliamentary election on March 15, 2017 (the worry here is further advances by the far right party led by Geert Wilders), the first round of the French presidential election on April 23 and the second round on May 7, UK local elections on May 4 (this will be the first major electoral test for PM May), and finally German regional elections on May 7 and 14 and the parliamentary election in September. (1) I don't think the direction of causality runs from Trump to Europe, but that the underlying forces propelling both Brexit and Trump are the same forces that are pushing the political centre of mass to the right in Europe. This direction of causality is important to appreciate, I think, because if one believed that the direction of causality is the opposite, that Trump *causes* other changes that would have been avoidable if Ms Clinton had won, one would come up with the wrong conclusions on what to do to stop the global shift in sentiment. (2) *The Economist* had a special edition last week on the rising nationalism in the developed West, as if it's an unfounded, random and sinister event that needs to be suppressed by all means necessary. For various reasons, the political left is in decline in the developed West. Look at the UK's Labour Party and the US' Democratic Party. In France, only 1 out of 20 people approves of Hollande's performance. (3) The Presidential race in France is now between the Centre Right (Mr Fillon from the Republican Party) and the Far Right (Ms Le Pen from National Front). The pendulum in Europe, in my view, will swing to the right, and possibly overshoot, as pendulums tend to do… which is not good, but an unavoidable consequence of the pendulum having overshot to the left in the past… In any case, with the Republican primary being out of the way, the campaign will start in earnest, with the first round of the Presidential elections to take place in April and the second round in May. FWIW, Mr Fillon looks like a stronger candidate than Mr Sarkozy to challenge Ms Le Pen. France, under Mr Fillon, could very well enter a period of economic reform and rejuvenation, I am guessing. In short, Mr Fillon's victory last weekend could be a major positive for France, I think.

The trouble with macroeconomics. The rebellion against the establishment has also begun in the nerdy field of macro economics, led in part by Prof Paul Romer of the Stern School of Business. He, of course, has made enemies in the field with his view – a view I share: '*For more than three decades, macroeconomics has gone backwards. The treatment of identification now is no more credible than in the early 1970s but escapes challenge because it is so much more opaque. Macroeconomic theorists dismiss mere facts by feigning an obtuse ignorance about such simple assertions as "tight monetary policy can cause a recession." Their models attribute fluctuations in aggregate variables to imaginary causal forces that are not influenced by the action that any person takes. A parallel with string theory from physics hints at a general failure mode of science that is triggered when respect for highly regarded leaders evolves into a deference to authority that displaces objective fact from its position as the ultimate determinant of scientific truth.'* Group think has become a serious impediment to advances and renewals in this important field. Misguided policies have also had significant consequences for people's lives around the world.

Trade globalization. There will likely be a shift from unconditional, uncontrolled, and unmanaged trade globalisation, i.e. 'free trade', to 'fair trade,'. Trade globalisation of the type that we have just experienced exchanged rising economic and political inequality for overall prosperity. We have simply reached a point where this rising inequality is no longer sustainable in democracies. This is not too different from what Beijing has been struggling with – to slow down the headline economic growth rate in exchange for more balance in various parts of the economy, in order to allow its development to be more sustainable. The parallels in the West seem quite clear to me. Fighting against this shift in the West, as most mainstream media seem to be doing, is tantamount to those in China who are fighting against the economic slowdown. (1) TPP is effectively dead, even though there are some who are urging that TPP goes ahead without the US. But I think multilateral trade pacts are in jeopardy. The Trump Administration still wants to have trade arrangements, but they will be bilateral and done with countries deemed friendly to the US. (2) The UK is in a great position to deal with the Trump Administration because all the UK needs is a bilateral trade arrangement that won't take as long to work out, compared to a multilateral trade arrangement. The UK just went from the 'back of the queue' (which was an insulting declaration by President Obama, conspicuously using the word 'queue' to make sure the Brits understood him) to the 'front of the line.' (3) China was never a part of the TPP discussions. In fact, TPP was designed from day one to marginalise China, to replace the current trade arrangement based on WTO rules to something that puts China at a disadvantage. This is why Beijing is not unhappy with the Trump Administration's desire to terminate the TPP discussions. (4) 'America First' does not only mean 'world second,' that the US will take actions to benefit the US even if these policies come at the expense of the rest of the world. It also means that policies will be aimed at addressing the inequality and inequity in the US, even if it means that the overall effects on the US may be negative. (5) In sum, I don't think trade globalisation will reverse. But it will slow down dramatically and be substituted with a different web of bilateral arrangements. I think this is a positive development, as the previous model of global growth was unsustainable, even if it generated the biggest aggregate prosperity for the world. (6) The next US Treasury Secretary will likely be instructed by President Trump to label China as a currency manipulator. While this would be a verdict without basis, in my view, such a finding could be used as an excuse to escalate the talks of protectionism.

Some musings… (1) President Obama just awarded his last round of Presidential Medals of Freedom (America's highest civilian honour) to Michael Jordan, Ellen DeGeneres, Robert de Niro, and others. Many of these award recipients were vocal critics of Mr Trump. My views on politics really don't matter… But for what it is worth, the reason why I have been more vocal than I should have been about Brexit and the US Elections is related to my own personal experience. I have witnessed how a previous harmonious society could very quickly degenerate into a permanent state of ethnic hatred, *through identity politics*. This happened in Taiwan, where I grew up. When I was a child, I was fluent in Mandarin and Taiwanese, as most of the children I was friends with were not recent immigrants from Mainland China like my family was. There were no social conflicts, as far as I recall, until the pro-independence movement riled up those who considered themselves 'Taiwanese' against the 'Mainlanders' like myself. Some of my Taiwanese childhood friends are no longer on speaking terms with me, simply because I'm a 'Mainlander.' Taiwan's economic development came to a sudden halt, as people were in a constant state of feeling mistreated by the other group. The pendulum would swing from one side (green) to the other (blue), each time a President is found to have committed blatant and large-scale corruption. The politicians won, but the people lost. This is one reason why I deeply resent identity politics and fear that the proponents don't truly understand how dangerous this game really can be. In contrast to the prevalent view, I believe indentity politics are themselves divisive. Economic cycles and political cycles come and go, but people can hate each other for generations. Look around the world; I think we can find plenty examples of irrational hatred between ethnic groups, ironically because one group felt they were wronged by another and the political discussions got hijacked by overly zealous politicians. (2) I love Michael Jordan and have nothing against Ellen DeGeneres, but think Robert de Niro made a fool of himself in that video. While this may not interest President Obama, Mr Joe Sutter just passed away: he was the 'Father of the Boeing 747', the lead engineer that designed and built the first B-747 in 1969. Maybe one day someone will do a movie about him, and the actor playing him could win the Presidential Medal of Freedom… (3) An artist in China made a sculpture of a black swan (see the photo below), which was placed in a shopping mall in Beijing on the other side of the street from the headquarters of CSRC (China Securities Regulatory Commission) – the government agency in charge of the securities markets and the agency that intervened to support the Chinese equity markets. This sculpture was quickly removed by government agents, within 3 hours of it being placed there. Months earlier, there were two sculptures of bears (mama bear and a baby bear) that were placed outside the same mall, and they were also removed quickly… Maybe I was wrong for belittling artists and entertainers: they may have the power to bring down the USD9 trillion equity markets in China with a small sculpture…

slj

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Landon Thomas, Jr.
Financial Reporter
New York Times

[redacted]
http://topics.nytimes.com/top/reference/timestopics/people/t/landon_jr_thomas/index.html

Saudi Arabia lobbies to amend JASTA law which allows 9/11 victims to sue the Gulf state

Following an extended trip to the United States, Adel al-Jubeir told reporters on Sunday he has been trying "*to persuade [US lawmakers] that there needs to be an amendment of the law,*" the Justice Against Sponsors of Terrorism Act (JASTA), that legitimizes lawsuits by Americans regarding terrorist attacks committed on US soil.

US House adopts 'Sue the Saudis' 9/11 bill

"*We believe the law, that curtails sovereign immunities, represents a grave danger to the international system,*" Jubeir said at a joint press conference with visiting US Secretary of State John Kerry, as cited by AFP news agency. Saudi Arabia has repeatedly expressed these views since the US Congress passed the legislation in September, overriding US President Barack Obama's veto of JASTA. This time, however, negotiations on the matter have already been held, the Saudi minister said.

"*The question now becomes how do you go about amending the law,*" he said.

Fifteen out of the 19 hijackers involved in the 9/11 attacks that killed nearly 3,000 people were Saudi subjects. The kingdom, however, has denied any ties to the hijackers.

The JASTA law allows attack survivors and relatives of attack victims to file lawsuits against foreign countries for acts of terrorism that kill Americans on US soil. Also known as House Resolution 3815, it creates an exception to the sovereign immunity law introduced in 1976, allowing US citizens to sue foreign governments in US federal court and demand compensation if those governments are proven to bear some responsibility for attacks within the US.

This exception drew concern from many countries – both in the Gulf and globally – that the legislation will erode sovereign immunity, considered one of the founding principles of international relations.

Saudis reject US 9/11 act as threat to sovereignty, Russia says it damages international law

Some British, French, and Dutch lawmakers have threatened retaliatory legislation to allow their courts to pursue US officials, which is why outgoing President Obama vetoed JASTA in the first place, explaining that it would harm American interests as it opens the United States up to private lawsuits over its military missions abroad.

"*The United States is, by eroding [the sovereign immunity] principle, opening the door for other countries to take similar steps and then before you know it international order becomes governed by the law of the jungle,*" the Saudi foreign minister said.

Saudi Arabia recently warned it would pull its money out of the US economy, selling up to $750 billion in US treasury securities and other assets, before lawsuits demanding compensation start pouring in and put these assets in jeopardy. However, responding to a question on whether Saudi Arabia was still reconsidering its investment strategy on Sunday, Jubeir assured reporters that it plans to continue with its investments and does not plan to decrease them.

"*[The Kingdom] has tremendous investments in the United States and we review those investments on a regular basis. There are issues associated with risk, but our objective is to increase those investments. We won't decrease them,*" he said, as cited by Reuters. The US Treasury Department said that the kingdom owned $116.8 billion in securities in the US as of March this year.

From: Richard Kahn [redacted]
Sent: 1/19/2017 11:12:21 PM
To: jeffrey E. [jeevacation@gmail.com]

Importance: High

Private equity has direct line to new administration

Jan. 19, 2017 12:05 PM ET|By: Stephen Alpher, SA News Editor

There's not just Wilbur Ross who will serve as Commerce Secretary, but also Blackstone (NYSE:BX) CEO Steve Schwarzman who will chair the President's Strategic and Policy Forum, and attorney Jay Clayton - who has advised on numerous major P-E deals - to lead the SEC.

Aside from those official posts, the president-elect has met with the heads of Carlyle Group (NASDAQ:CG) and KKR since his election.

"There seems to be more interest in the advice of real-world practitioners than in the past," says the head of the P-E industry's D.C. lobbying group. "This is encouraging."

Indeed. Among P-E's top priorities is carried interest - one of the few things Trump and Clinton agreed on during the campaign. Carried interest is currently taxed at 23.8% vs. the top ordinary income tax rate of 39.6%. Like Clinton, Trump wanted carried interest taxed as ordinary income, though Trump would lower the top rate to 33%. Other tax law changes Trump is proposing could cut the effective tax rate further - perhaps to as low as 25%, or just marginally higher than currently.

Another big priority is retaining the tax deductibility of interest. Trump wants to give companies the ability to either keep that deduction or pass and gain the ability to immediately expense capital investment. A plan by House Republicans might not be as favorable.

Other players: OAK, APO, FIG, ARES

From: [redacted]]
Sent: 1/23/2017 12:38:34 PM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: Trump

Importance: High

The inauguration was amazing! And in one day, Trump got more fat women walking than Michelle did in 8 years 😁...

Sent from my Windows 10 phone

From: Kathy Ruemmler [[redacted]
Sent: 1/24/2017 4:21:55 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Fwd: Press: Heatstreat- 'Shady' Israeli Mogul Hires Ex-White House Counsel To Represent Employee Arrested in Inauguration Day Riot, Raising Questions
Attachments: image001.jpg; image005.jpg; image004.jpg; image003.jpg; image007.jpg; image008.jpg; image002.jpg; image006.jpg

Importance: High

Look at this craziness.

Begin forwarded message:

From: <[redacted]>
Date: January 24, 2017 at 10:54:59 AM EST
To: <[redacted]>
Subject: FW: Press: Heatstreat- 'Shady' Israeli Mogul Hires Ex-White House Counsel To Represent Employee Arrested in Inauguration Day Riot, Raising Questions

From: Zuieback, Jamie (DC) <[redacted]
Date: Tuesday, Jan 24, 2017, 10:37 AM
To: Ruemmler, Kathy (DC) <[redacted]>>
Subject: RE: Press: Heatstreat- 'Shady' Israeli Mogul Hires Ex-White House Counsel To Represent Employee Arrested in Inauguration Day Riot, Raising Questions

I'm dying to hear about your weekend. I can't take credit, but I heard someone say that you handling this was like asking your buddies if they had anyone who could fill in for a pick-up game, and somebody sends over LeBron.

From: Ruemmler, Kathy (DC)
Sent: Tuesday, January 24, 2017 10:24 AM
To: Glick, Jamie (DC); Kurlander, Stuart (DC)
Cc: Zuieback, Jamie (DC); Alexander, Kimberly (DC)
Subject: RE: Press: Heatstreat- 'Shady' Israeli Mogul Hires Ex-White House Counsel To Represent Employee Arrested in Inauguration Day Riot, Raising Questions

Gotta love the conspiracy theorists

From: Glick, Jamie (DC) <[redacted]>>
Date: Tuesday, Jan 24, 2017, 10:04 AM
To: Ruemmler, Kathy (DC) <[redacted]>, Kurlander, Stuart (DC) <[redacted]>>
Cc: Zuieback, Jamie (DC) <[redacted]>>, Alexander, Kimberly (DC) <[redacted]>>

Subject: Press: Heatstreat- 'Shady' Israeli Mogul Hires Ex-White House Counsel To Represent Employee Arrested in Inauguration Day Riot, Raising Questions

Hi Kathy and Stuart,

You may have already seen this article, but sharing it just in case you haven't. Please let us know if we can be of any help coordinating with the client's PR firm, which Stuart mentioned that you were doing yesterday.

According to Wikipedia, "Heat Street is a libertarian conservative news, opinion and commentary website. Launched in February 2016, the website is headed by U.S. based British writer and former politician Louise Mensch. It is owned by News Corp under Dow Jones & Company."
Thanks,
Jamie
'Shady' Israeli Mogul Hires Ex-White House Counsel To Represent Employee Arrested in Inauguration Day Riot, Raising Questions<http://heatst.com/politics/shady-israeli-mogul-hires-ex-white-house-counsel-to-represent-employee-arrested-in-inauguration-day-riot-raising-questions/>
By Heat Street Staff| 6:36 pm, January 23, 2017

The mystery surrounding a would-be media magnate — who owns surveillance and security firms working for repressive regimes — is growing.

The questions about Matania (Mati) Kochavi were sparked again this weekend when Kathryn Ruemmler, who until recently was President Obama's White House Counsel, showed up on Saturday morning in local Washington DC court to represent one of the 217 people arrested for rioting on Inauguration Day. [http://heatst.com/wp-content/uploads/2017/01/ruemmler-obama.jpg?w=300]Kathryn Ruemmler and client.

Ms. Ruemmler said she was there to represent a journalist, on assignment for the media company Vocativ<http://www.vocativ.com/>, who'd gotten swept up with the protesters in the arrests.

Vocativ is owned by Kochavi. Reporters at the courthouse asked why a big gun like Ruemmler, who has long been a specialist in corporate crime, would show up for what would seem to be a misunderstanding involving a journalist doing his job.

Ms. Ruemmler told Buzzfeed that Vocativ is a client of her firm,<https://www.buzzfeed.com/zoetillman/prosecutors-pursue-rioting-charges-over-inauguration-day-pro?utm_term=.gtPej4zon#.cgvzaBvG2> Latham & Watkins. The firm is one of the most prestigious law shops in New York and Washington with partners such as Ruemmler<https://www.lw.com/people/kathrynruemmler> charging thousands of dollars an hour.

She did look somewhat out of place among the lawyers there to defend anarchists and other alleged troublemakers who are charged with rioting, burning a limo and smashing up stores on the streets of the capital. "The individuals charged were generally brought in front of the judge in groups of 10 and were represented by a cadre of public defenders and other court-appointed lawyers," according to Buzzfeed. That was not the case when it came to Vocativ.

Based in New York and Tel Aviv, Vocativ publishes mostly reprints of health studies, aggregated videos for Facebook, and female focused feature pieces. The company which employs a large team of US journalists and ex-Israeli intelligence operatives, claims to use technology from the intelligence world to source its stories. Indeed its founder, Kochavi, has a background in Israeli intelligence, having made his fortune providing security and military grade public safety solutions to the superrich Emirate of Abu Dhabi through an entity called AGT.
[http://heatst.com/wp-content/uploads/2017/01/abu-dhabi-mosque.jpg?w=300]The Grand Mosque of Abu

Dhabi

AGT was responsible for installing a "unique civil surveillance network in Abu Dhabi that means 'every person is monitored from the moment they leave their doorstep to the moment they return to it,'" according to the noted security publication MiddleEastEye.<http://www.middleeasteye.net/news/uae-israel-surveillance-2104952769> The invasive system is dubbed "Falcon Eye".

Kochavi also owns Israeli security and private intelligence firms 3iMind and Logic Industries. Like Vocativ, 3iMind claims to use "the deep web" to mine information, though in 3iMind's case it provides spy services, not journalistic ones. 3iMind even advertises online that it will spy on "the planning and execution of violent civil unrest" for clients.<https://www.3i-mind.com/use_cases/political-social-unrest/>

The website for Kochavi's mother company<https://www.agtinternational.com/about/>, AGT, claims its current business is using "Internet of Things" technology for entertainment and "fashion" applications in partnership with the giant talent agency WME-IMG … though it's unclear what any of these applications really are<http://www.euroleague.net/final-four/berlin-2016/news/i/6vokoibj5fsgqg4q/heed-the-event-platform-based-joint-venture-between-wme-img-and-agt-international-makes-first-official-foray-into-sports>, and certainly what value they provide for entertainment. Security experts say Internet of Things type sensors could be tied together to monitor crowds for security purposes.

According to Israeli and U.S. Jewish publications, the lines within Kochavi's companies can blur, with Vocativ employees doing work for 3iMind and Logic, and vice versa. So who was this "journalist" arrested amid the unrest on Inauguration Day? Was he actually doing journalism? Or, as some journalists around town have been asking, could he also have been doing surveillance of anti-Trump demonstrators on behalf of an Arab or Israeli client, possibly a foreign government?
[http://heatst.com/wp-content/uploads/2017/01/aaeaaqaaaaaaaaq5aaaajdq3mjuxmgu2ltg5njmtndi1mc1hzmrhltllyjkynze5zjljmg.jpg?w=300]Kochavi employee Evan Engel (LinkedIn)

A call to Ruemmler was returned by someone identifying himself as a Vocativ spokesperson. He told Heat Street that the arrested employee, Evan Engel, was doing purely journalistic work at the time he was detained.

"The arrest, detainment and rioting charge against journalist Evan Engel who was covering the protests for Vocativ are an affront to the First Amendment and journalistic freedom," the spokesperson said. "Vocativ will vigorously contest this unfounded and outrageous charge."

Kochavi has taken pains to put a different face, unrelated to spying and surveillance, on his American activities. Vocativ acts like a news organization, though it's made little splash (and gets remarkably little web traffic<http://www.alexa.com/siteinfo/vocativ.com>) for an operation so large and expensive.

Kochavi has also shown little hesitation to pay top dollar for access to the most powerful figures in America to provide legitimacy for his American activities. Last fall's Wikipedia data dump revealed that he and his longtime business partner, New York rainmaking lawyer Mary Edelman, offered Bill Clinton millions of dollars to serve as honorary chairman of the company that would become Vocativ. <http://heatst.com/biz/wikileaks-bill-clinton-turned-down-8-million-to-be-honorary-chairman-of-news-site-vocativ/> Clinton turned them down, perhaps nervous about Kochavi who's been described as "a mysterious even somewhat shady character" and the Israeli "version of the old-fashioned arms dealer with a suit and an MBA" by the progressive Jewish blog Tikkun Olam.<https://www.richardsilverstein.com/2014/12/04/israeli-cyber-security-merchant-peddles-wares-secretly-in-united-arab-emirates/>
[http://heatst.com/wp-content/uploads/2017/01/akochavivivian.jpg?w=260]Matania Kochavi (C) shown with Vivian Schiller (L) chair of Vocativ's executive committee and Danna Rabin (R) AGT's chief operations officer.

And now Kochavi has purchased the services of President Obama's former White House counsel, Ruemmler, whose name was once on the shortlist<http://www.latimes.com/nation/la-na-ruemmler-attorney-general-nixed-20141024-story.html> for US attorney general. It's a fair question to ask: why was Ruemmler really down in local DC court on a Saturday morning? Why was getting this Vocativ employee off the hook such a high priority? And what, if any, other services has Ruemmler, the corporate crime expert, been providing to Kochavi and his various intelligence operations around the world?

Ruemmler herself has not returned requests for comment.

From: Glick, Jamie (DC)
Sent: Monday, January 23, 2017 6:03 PM
To: Ruemmler, Kathy (DC)
Subject: Press: Buzzfeed and NY Post- Prosecutors Charge Protesters With Rioting Over Inauguration Day Protests

Hi Kathy,

In case you haven't seen, below are a couple of articles and tweets which mention your representation of a journalist employed by Vocativ.

Thanks,
Jamie

Jamie C. Glick
Public Relations Specialist

LATHAM & WATKINS LLP
555 Eleventh Street, NW
Suite 1000
Washington, D.C. 20004-1304
Direct Dial: +[redacted]
Fax: +[redacted]
Email: [redacted]
[redacted]

Prosecutors Charge Protesters With Rioting Over Inauguration Day Protests<https://www.buzzfeed.com/zoetillman/prosecutors-pursue-rioting-charges-over-inauguration-day-pro?utm_term=.mxL7rr54B2#.ygykppRw0v>

More than 200 people are being charged with felony rioting — a charge that carries a maximum sentence of 10 years in jail — after they were arrested during anti-Trump demonstrations on Inauguration Day in DC.
posted on Jan. 21, 2017, at 8:33 p.m.
[Zoe Tillman]<https://www.buzzfeed.com/zoetillman?language=en>
Zoe Tillman<https://www.buzzfeed.com/zoetillman?language=en>
BuzzFeed News Reporter
[https://img.buzzfeed.com/buzzfeed-static/static/2017-01/21/10/asset/buzzfeed-prod-web-09/sub-buzz-24787-1485014343-1.jpg?resize=990:806]

A man arrested during protests in DC on Jan. 20 waits to board a police van. Zoe Tillman / BuzzFeed News

WASHINGTON — As hundreds of thousands of demonstrators gathered<https://www.buzzfeed.com/buzzfeednews/womens-march?utm_term=.wra9MGEmBj#.gtOrQXPW34> on the National Mall to protest President Trump on Saturday, people arrested<https://www.buzzfeed.com/zoetillman/rioters-and-police-are-clash-during-trumps-inauguration> the day before during anti-Trump protests in downtown Washington, DC, made their first appearance in court.

Prosecutors are pursuing charges against all of the 230 people arrested on Friday for rioting, according to the US attorney's office in DC. Although anti-Trump demonstrations on inauguration day were largely peaceful, some turned violent, with participants breaking storefront windows, throwing bricks at police, and running through streets and parks downtown as they were chased by police.

The arraignment hearing at DC Superior Court began on Saturday around 1 p.m. and was still going six hours later. As of 7 p.m., 80 people arrested and charged with felony rioting had come before a judge. The court was expected to continue the hearing through the night until everyone arrested on Friday came through.

The defendants processed so far were released until their next court dates, with the condition that they not be arrested again in DC in the meantime.

Felony rioting is a crime under DC law that carries a maximum penalty of 10 years in jail and a fine of up to $25,000. According to police, six officers were injured in confrontations with demonstrators on Jan. 20, and three of those officers sustained minor head injuries after objects were thrown at them. The DC law defines felony rioting as a group of at least five people who, "by tumultuous and violent conduct and the threat thereof," cause "serious bodily harm" or property damage valued at more than $5,000.

A 21-year-old Texas man was also charged with pointing a laser at at US Park Police helicopter during the protests on Friday. He was arraigned in Superior Court but the case is being moved to federal court.

The individuals charged with rioting were generally brought in front of the judge in groups of 10 and were represented by a cadre of public defenders and other court-appointed lawyers. One exception came early in the hearing, when former White House counsel Kathryn Ruemmler entered an appearance for one of the defendants. Ruemmler said her client was a journalist on assignment filming the demonstrations who was swept up in the arrests.

Ruemmler served as President Obama's White House counsel for three years before going to the law firm Latham & Watkins. Ruemmler told reporters outside of the courtroom that her firm represents Vocativ, the media company that employed her client, which is how she got involved.

Dozens of people came to the courthouse on Saturday to support the arrestees. They cheered as defendants left the courtroom; some of the defendants were walking slowly to keep their shoes on because they had to remove their shoelaces after being arrested. The defendants were held by police overnight. [https://img.buzzfeed.com/buzzfeed-static/static/2017-01/21/20/asset/buzzfeed-prod-web-15/sub-buzz-1449-1485047203-1.jpg?resize=990:743]

Zoe Tillman / BuzzFeed News

By Saturday night, a crowd had gathered outside the courthouse to greet the arrestees, cheering and applauding as they came out. A line of police formed in between the group and the courthouse entrance, and police were screening people trying to go inside.

Several lawyers offered a preview of their defense strategy during the hearing, arguing that the rioting charge should be dismissed because prosecutors hadn't shown that each defendant was specifically involved in the rioting described in charging documents. Although the defendants were brought out in groups before the judge, they're individually charged.

One lawyer argued that the US attorney's office should recuse from prosecuting the cases because the defendants were charged with participating in anti-Trump riots and Trump was now in charge of the US Department of Justice.

"I appreciate all the creative arguments," Magistrate Judge Rainey Brandt said in response, but she said that at this early stage of the case she only had to find that the government had shown probable cause to move the cases forward.

The defendants are due back in court on various dates in February and March.

1. [https://pbs.twimg.com/profile_images/1849163545/Zoe_Tillman_photo1_bigger.jpg] Zoe Tillman @ZoeTillman <https://twitter.com/ZoeTillman> Jan 21<https://twitter.com/ZoeTillman/status/822908408475095049> Ruemmler told reporters that her law firm Latham & Watkins has done work for the news outlet, Vocativ, which is how she got involved 1 reply 5 retweets 3 likes
2.
3. [https://pbs.twimg.com/profile_images/1849163545/Zoe_Tillman_photo1_bigger.jpg] Zoe Tillman @ZoeTillman <https://twitter.com/ZoeTillman> Jan 21<https://twitter.com/ZoeTillman/status/822908213557415938> One journalist arraigned, lawyer says he was arrested while filming. He's represented by former White House counsel Kathryn Ruemmler 0 replies 19 retweets 36 likes

Inauguration Day protesters may face felony rioting charges<http://nypost.com/2017/01/22/inauguration-day-protesters-may-face-felony-rioting-charges/>

By Sophia Rosenbaum<http://nypost.com/author/sophia-rosenbaum/>
New York Post

January 22, 2017 | 12:55pm

Officials in the nation's capital are throwing the book at anti-Trump protesters —threatening the people who were arrested <http://nypost.com/2017/01/20/dozens-arrested-as-anti-trump-protesters-clash-with-police/> with massive fines and up to 10 years in jail.

The U.S. attorney's office will seek to charge all 230 of the protesters who took to the streets on Inauguration Day — some damaging storefronts and clashing with police — with felony rioting.

As of Saturday evening, 80 people had already been slapped with the heavy charges, which include fines of up to $25,000 and up to 10 years in jail, according to Buzzfeed.<https://www.buzzfeed.com/zoetillman/prosecutors-pursue-rioting-charges-over-inauguration-day-pro?utm_term=.dw6wmWlb#.ahOrz1yD>

Felony rioting is defined in D.C. law by at least five people who use “tumultuous and violent conduct of the threat thereof” to cause “serious bodily harm” and instigate more than $5,000 in property damage.

Six local officers were injured by protesters during Trump’s big day. The glass windows of several businesses were shattered in downtown D.C. including Bank of America, McDonald’s and Starbucks.

All of the people who have already been charged were released on their own recognizance and given their next court appearance dates.

At least one of those arrested was a Vocativ journalist covering the protests, and he was defended by heavy-hitter and former White House attorney Kathryn Ruemmler, Buzzfeed reported.

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Latham & Watkins LLP

From: Barbro Ehnbom[redacted]]
Sent: 1/24/2017 9:56:23 PM
To: [redacted]
Subject: Fwd: Do a good deed today...
Attachments: Don't make America sick again.docx

Importance: High

Easy enough! :-)

-----Original Message-----
From: [redacted]>
To: Barbro Ehnbom <[redacted]
Sent: Tue, Jan 24, 2017 4:45 pm
Subject: Fwd: Do a good deed today...

Sent from my iPhone

Begin forwarded message:

From: [redacted] <[redacted]>
Date: January 24, 2017 at 4:17:59 PM EST
To: [redacted]>
Subject: Do a good deed today...

Here's something simple we all can do today...

Diana Chapman Walsh was president of Wellesley College 8 years ago. She recently emailed her former colleagues the following idea:

Listen Up! The Republicans need to get the message from the majority of Americans that we value and need the benefits of Obamacare. Here's how we do that.

On January 23rd, everyone who feels that way (our numbers are legion) sends a note to Donald Trump with a simple message:

"Don't make America sick again. Improve Obamacare. Don't repeal it."

One envelope for every ACA supporter in your household…even if they are under 18 years old.

Just that simple message. Put it in an envelope, and put a stamp on it.

On January 23rd, mail it to:

Pres. Donald Trump
1600 Pennsylvania Ave NW,
Washington, DC 20500

Can you imagine the picture of 53 MILLION letters arriving at the White House by January 26th? It will be a mountain. That image might help deter the Republicans from killing the most substantial improvement to American healthcare since the discovery of Penicillin.

Do it today! Drop it into a mailbox near you on Monday, January 23rd.

Please send this email to 20 (or more) of your friends, neighbors ann fellow Americans. Ask them to do the same.

This also helps out the US Postal Service, with about $20 Million of stamp sales.

Don't send emails to Trump…they don't photograph well.

I attached a document with the text so you can just print it and put it in the envelope

[redacted]
cell[redacted]
email: [redacted]

From: Richard Kahn [redacted]
Sent: 1/25/2017 3:23:20 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Peter Thiel, Trump Adviser, Has a Backup Country: New Zealand

Importance: High

https://www.nytimes.com/2017/01/25/technology/peter-thiel-new-zealand-citizenship.html

Richard Kahn
HBRK Associates Inc.
575 Lexington Avenue 4th Floor
New York, NY 10022
tel [redacted]
fax [redacted]
cell [redacted]

From: Robert Lawrence Kuhn [redacted]
Sent: 2/13/2017 11:08:13 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Kuhn
Attachments: TSC Shanghai Program Update.pdf; Untitled attachment 431541.htm

Importance: High

Great talking. Covered lots. All fun!

Attached is the Shanghai Science of Consciousness program (Stuart Hameroff put together; I advised).

Gregory Chaitin on Closer To Truth - https://www.closertotruth.com/contributor/gregory-chaitin/profile (scroll down for videos).

My Bloomberg TV on Trump/China (Feb. 1, pre Trump-Xi call)
- https://www.dropbox.com/s/o06wvejllmsi917/Dr%20Kuhn%20Bloomberg%20Daybreak%20-%20Asia.mov?dl=0 -

Appreciate discussing "Science of Sleep & Dreams" - I'll pull together significance of recent research/discoveries yielding inflection point, such that timing is propitious for the definitive TV series benchmarking the field and making impact.

Warmest, Robert

From: Richard Kahn [redacted]
Sent: 2/15/2017 7:04:23 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Fwd: Alert - TIC Form SHC Deadline Approaching

Importance: High

not sure if this applies to Leon

The reporting threshold for Schedule 2 is $200 million in total fair value of all foreign securities owned by the SHC Reporter and not held with a U.S.-resident custodian

The linked image cannot be displayed. The file may have been moved, renamed, or deleted. Verify that the link points to the correct file and location.

REGULATORY & COMPLIANCE ALERT FEBRUARY 15, 2017

TIC Form SHC Deadline Approaching - Form Deadline is March 3, 2017

The U.S. Department of the Treasury recently released a revised Form SHC. Form SHC, which is part of the Treasury International Capital ("TIC") data reporting system, is the mandatory five-year benchmark survey of the ownership of foreign securities by U.S. residents. Absent an announcement of a delay from the Trump administration, the report is due to the Federal Reserve Board of NY ("FRBNY") by March 3, 2017 for data reportable as of December 31, 2016.

All U.S. resident custodians and end-investors with holdings of foreign portfolio securities above the reporting thresholds must report. In addition, all U.S.-resident custodians and end-investors that are notified by the FRBNY are required to file a report.

The reporting threshold for Schedule 2 is $200 million in total fair value of all foreign securities owned by the SHC Reporter and not held with a U.S.-resident custodian. The reporting threshold for Schedule 3 is $200 million in total fair value of foreign securities held with any one unaffiliated U.S.-resident custodian that is not a central securities depository.

Custodians are all organizations that hold securities in safekeeping for other organizations. Most U.S.-resident custodians also invest in foreign securities for their own account. U.S.-resident custodians should report both the foreign portfolio securities held in safekeeping for other U.S. residents and their own foreign portfolio securities.

End-investors are U.S.-resident organizations that invest in foreign securities for their own portfolios or invest on behalf of others, such as investment managers/fund sponsors. This includes securities that are held-for-trading, available-for-sale, or held-to-maturity. U.S.-resident end-investors include, but are not limited to:

- Financial and non-financial organizations
- Managers of private and public pension funds
- Managers/sponsors of funds, country funds, unit-investment funds, exchange-traded funds, collective-investment trusts, hedge funds or any other similarly pooled, commingled funds. Also managers/sponsors of private equity companies, venture capital companies, hedge funds and other private investment vehicles
- Insurance companies
- Foundations
- Institutions of higher learning
- Trusts and estates
- Funds and similar entities that own shares or units of, or other portfolio equity interests in, a foreign related or non-related entity

Form SHC is comprised of three schedules:

Schedule 1 - Must be filed by all entities that 1) receive a copy of the SHC forms and instructions from the FRBNY, or 2) are notified by the FRBNY that they are required to file the SHC report. Schedule 1 requests information that identifies the reporter. It also provides contact information, indicates the reporting status, and summarizes the data, if any, reported on Schedule 2 and/or Schedule 3.

Schedule 2 - Used to report detailed information on foreign securities owned by U.S.-resident investors (1) that the reporter safe-keeps for itself or for its U.S.-resident clients or (2) for which the reporter directly employs foreign-resident sub-custodians or U.S.-resident or foreign-resident central securities depositories (CSDs) to manage the safekeeping of those securities (Foreign securities in safekeeping with U.S.-resident CSDs are reportable on Schedule 2.) or (3) that are instruments of the type that there is no U.S. custodian to manage the safekeeping of those securities.

Schedule 3 - Used to report summary amounts for all foreign securities entrusted to the safekeeping of a U.S.-resident custodian, excluding those entrusted to a U.S. - resident CSD.

Completed reports may be submitted to the FRBNY on paper or electronically through the Federal Reserve Reporting Central System. Additional information and a copy of the Form SCH are available here.

If you have any questions regarding this *Alert*, please contact Dan Viola at dviola@sglawyers.com.

Sadis & Goldberg LLP

Please feel free to discuss any aspect of this *Alert* with your regular Sadis & Goldberg contact whose names and contact information are provided below.

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Sent by sgalert@sglawyers.com

BOOTHBAY
FUND MANAGEMENT, LLC

February 16, 2017

In the fourth quarter of 2016, Boothbay Absolute Return Strategies, LP (the "Fund") earned a net return of approximately +**0.04%.**[1,2]

	October	November	December	2016	ITD	Sharpe ITD*	Sortino ITD*
Boothbay Absolute Return Strategies, L.P	**-0.14%**	**-0.05%**	**0.23%**	**3.84%**	**16.09%**	**2.25**	**6.37**
S&P 500	**-1.94%**	**3.42%**	**1.82%**	**9.54%**	**14.21%**	**0.51**	**0.93**
HFRX : Equity Market Neutral	**-0.13%**	**-0.04%**	**-1.07%**	**-5.08%**	**2.51%**	**0.23**	**0.48**
HFRX : Absolute Return	**-0.39%**	**-0.16%**	**0.20%**	**0.31%**	**2.13%**	**0.36**	**0.98**
HFRX : Global Hedge Fund	**-0.57%**	**0.87%**	**0.86%**	**2.50%**	**-3.50%**	**-0.42**	**-0.43**

** For Sharpe/Sortino Ratio calculations, 1-Month LIBOR is set as the risk free rate.*

Since the Fund opened on July 1, 2014, it has returned **16.10**%.[1,2] In that period, the Fund's largest month-to-month drawdown has been -1.4%, versus -8.9% for the S&P 500, -1.5% for the HFRX Absolute Return Index, -8.9% for the HFRX Global Hedge Fund Index and -5.3% for the HFRX Market Neutral Index.

Performance and Commentary

We ended 2016 with a slightly positive quarter, bringing net performance for the year to +3.84%. Consistent with the trend seen earlier in the year, 2016 has been described by investors and financial media as among the worst years for multi-manager multi-strategy firms, on both an absolute and risk-adjusted return basis. While we consider earning +3.84% to be disappointing for our strategy on an absolute return basis, doing so with a maximum drawdown of 1.4%, and in what was a challenging environment for low-net exposure relative value strategies, leaves us viewing 2016 as a "good" bad year.

For a second consecutive year, the Fund generated positive net returns overall on the days when the S&P 500 Index was negative. The S&P had 121 losing days in 2016 (producing losses of over -66% in total)[3] and on those days, we were positive approximately 55% of the time, and generated almost half of our total net returns for the year. Given that we aim to be a protector of capital in markets that most managers will lose capital, this sampling is especially gratifying. As we look forward, we remain as encouraged as ever that our combination of unique "niche" strategies and strategies with structural edge, alongside our allocations to low-beta alpha-generating stock pickers and quantitative portfolio managers, will deliver strong risk-adjusted returns over various market cycles.

Before going into the performance attribution for Q4 and 2016 overall, we want to re-visit a topic discussed in our Q1 2016 letter related to hedge fund crowding, which investors have continued to ask us about the past several months. The question raised is typically some variation of the following: Given that Boothbay allocates to low-net equity focused managers, who may have similar strategies to those that comprise other multi-manager platforms, why has Boothbay been less-exposed to deleveraging and hedge fund crowding

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[1] Assumes Boothbay Absolute Return Strategies, LP, Onshore Accelerator Share Class 1A (2-year lock and 14% incentive allocation).
[2] Performance figures reported herein are shown unaudited, net of fees/allocations and expenses; include the reinvestment of dividends, capital gains, and other earnings; and may be subject to adjustment.
[3] S&P 500 negative-return analysis calculated using Bloomberg closing prices for SPX Index.

effects, which seem to impact other multi-manager funds in a greater way?

Platform Beta

Equity market performance is a large predictor of returns for many long/short equity hedge funds, due to the large equity beta exposure with which many funds run.[4] At Boothbay, we generally run with limited net equity market exposure (on average 6-8% historically) and have maintained low correlation to market indices. While the sources of our returns will generally be idiosyncratic, there is no question that the tremendous amount of capital that has flown into the low-net multi-manager, i.e. "platform", category, has created an even greater risk of exposure to "Platform Beta" for some of our managers, even while avoiding broader equity market beta.

Platform Beta is a term we have heard used to describe the overlap of long and short positions, across some of the largest market-neutral, multi-manager hedge fund managers. While these overlapping names may be viewed as "smart money" positioning in some sense, there is also meaningful risk associated with being in crowded longs and shorts due to the viciousness of the cascading effects when these portfolios are being liquidated, or re-sized quickly, as we observed in Q1 2016. For a variety of reasons, we believe that Platform Beta has a true positive expectancy over time and with much less risk than other traditional factor risks, especially ones taken on by long-only or long-biased investors. While we consider it to be an obvious goal to avoid material exposure to all known market risk factors, we also attempt to reduce our more difficult to measure Platform Beta exposure when possible. Despite the positive return expectation of Platform Beta, we do not think a large or concentrated exposure to this factor is beneficial. Perhaps even more importantly, we do not believe that all alpha is created equally, and we are trying to provide the most uncorrelated alpha as possible to our investors.

So how do we minimize overexposure to Platform Beta? We can monitor data that imperfectly points to crowded names or themes, but the most direct way we seek to avoid crowded names is through our overall portfolio construction and manager-selection process. This is demonstrated in our continued focus on "First Loss" allocations as well as investments in the strategy category we call "Other", which is comprised of niche strategies outside our more traditional long/short fundamental and quantitative strategies. These alternative categories have served as a valuable source of alpha as well as diversification away from Platform Beta. Additionally, even in our more traditional strategies, we focus on allocating to smaller managers who can have larger parts of their portfolios in smaller capitalization companies, which tend to be less trafficked by the larger funds, and therefore are also less subject to the effects of large industry deleveraging. We cannot avoid all of the dangers of hedge fund deleveraging but our conscious attempts to target differentiated strategies, and to limit concentration, has allowed us to be less impacted by these flows than several other multi-manager platforms.

Portfolio Attribution and Risk

Within our Multi-Strategy platform, the "Other" category was the largest contributor for both Q4 and 2016 overall, contributing gross returns of +0.82% in Q4 and +2.19% YTD. The remaining quarterly and full-year gross return attribution within the Multi-Strategy platform were: "Fundamental L/S" at -0.86% in Q4 and +1.16% YTD, and "Quantitative" at 0.29% in Q4 and -1.53% YTD. Our First Loss platform allocations contributed gross-returns of +0.72% in Q4 and +6.60% YTD.[5]

The Fund averaged approximately 0.39% daily Value at Risk during Q4 vs. 0.41% in Q3 (95% Confidence Interval, excluding First-Loss allocations). As stated in last quarter's letter, we expect to see an increase in our VaR during Q1 2017 primarily through a combination of new manager allocations and a pick-up in overall market volatility due to macro events on the horizon. We expect the Trump Presidency, additional interest rate hikes by the Fed, and global geopolitical catalysts (e.g. elections, referendums) in 2017 to contribute to a rise in market volatility. These factors should help us to approach our target daily VaR of 0.80%, and also provide an attractive environment for many of our strategies to generate alpha. While having more risk on the balance sheet does imply that our return volatility and drawdowns will be larger, it is reasonable to expect that any positive returns would increase as well.

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[4] For example, Goldman Sachs Prime Services reported hedge fund net exposure to be between 50% and 67% throughout 2016. (Goldman Sachs Securities Division: Prime Services Weekly 12.22.2016)

[5] Performance Attribution figures reported herein are shown unaudited, gross of fees/allocations and expenses; include the reinvestment of dividends, capital gains, and other earnings; and may be subject to adjustment.

Manager Attribution:

- For the fourth quarter of 2016, 42% of "Fundamental L/S," 45% of "Quantitative," and 67% of "Other" managers were profitable.
- The top five performing managers contributed 38% of the quarterly total positive return, with the largest single manager positively contributing 9%. The bottom five performing managers made up 56% of negative returns, with the largest single manager negatively contributing 17%.
- While 2015 was a stronger year for our strategy overall compared to 2016, we were pleased to see a continual diversification of return attribution across our managers in 2016. The below statistics compare 2016 with 2015 and present a similar picture of limited return concentration.

		Positive Attribution	**Negative Attribution**
2016	Total	15.94%	-7.42%
	Top 5 Contributors	6.48%	-2.54%
	Largest Contribution	2.25%	-0.67%
2015	Total	22.77%	-6.92%
	Top 5 Contributors	7.31%	-3.55%
	Largest Contribution	1.82%	-1.03%

- As of December 2016, the Multi-Strategy platform had 28 Fundamental L/S Equity managers, 23 Quantitative managers, 10 "Other" managers (these Multi-Strategy platform figures include 9 Hybrid allocations[6]), and 13 First-Loss managers.

Assets Under Management

As of January 1, 2017, Boothbay's total AUM was approximately **$190 million** ($230 million including capital from First-Loss share class).

As always, I am available to answer all investment and business inquiries. Peter Bremberg and Daniel Bloom are available to answer any questions related to financial operations.

Sincerely,

Ari Glass
Managing Member
Boothbay Fund Management LLC

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[6] "Hybrid allocations" refers to accounts for which we have both a First-Loss and Multi-Strategy investment.

IMPORTANT DISCLOSURES

The information presented herein is confidential and proprietary, and may not be (i) used by, or on behalf of, you for any purpose other than evaluating an initial or continued investment in Boothbay Absolute Return Strategies, LP (the "Fund"), or (ii) disclosed by, or on behalf of, you to any third party, in each case except with the prior written consent of Boothbay Fund Management, LLC ("Boothbay"). This communication is for information purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security.

This letter includes forward-looking statements. Although Boothbay believes that the expectations and views reflected in such statements are reasonable, such statements are subject to a number of assumptions, risks and uncertainties which may cause actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements, and the expectations and views reflected therein, expressed in this letter may change at any time, without notice. Prospective investors are cautioned not to invest based on these forward-looking statements.

Performance figures (which include the reinvestment of dividends, capital gains and other earnings) included herein are based on unaudited information, may be subject to adjustment and are shown net of fees/allocations and expenses. Results for individual investors may vary based on, among other things, the timing of capital contributions and withdrawals.

An investment in the Fund is speculative and involves a high degree of risk. Past performance is not necessarily indicative of future results. There can be no assurances that the Fund will continue to have a similar return on invested capital because, among other reasons, there may be differences in economic and market conditions, regulatory and political climate, portfolio size, investment opportunities, expenses and structure. Accordingly, when deciding to make an investment, potential investors are urged to review carefully all disclosure documentation, including the Fund's confidential private offering memorandum, and consult with their counsel and advisers.

This material is not intended to represent the rendering of accounting, tax, legal or regulatory advice. A change in the facts or circumstances of any transaction could materially affect the accounting, tax, legal or regulatory treatment for that transaction. Nothing herein should be interpreted to represent concentration limits, exit strategies or sector allocation guidelines, all of which are subject to change without notice.

References to the S&P500 and any other benchmark(s) referred to herein are for illustrative purposes only. Any such benchmarks are included merely to show general trends in the markets in the periods indicated and are not intended to imply that the Fund's portfolio is similar to any such benchmarks either in composition or risk. Comparisons to benchmarks have limitations because natural characteristics of such benchmarks, such as volatility, among other things, are likely to differ from those of the Fund. Boothbay does not attempt to track a benchmark and there is no guarantee that the Fund will meet or exceed any such benchmark.

From: Thomas Jr., Landon [redacted]
Sent: 3/17/2017 4:29:23 PM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: Did you see that Trump retweeted my story?

Importance: High

I think my wife is going to change the lock on the door tonight.
https://twitter.com/realDonaldTrump/status/842739155230740481

--
Landon Thomas, Jr.
Financial Reporter
New York Times
[redacted]
-
http://topics.nytimes.com/top/reference/timestopics/people/t/landon_jr_thomas/index.html

---

From: Thorbjøn Jagland [redacted]]
Sent: 4/16/2017 3:23:31 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

You should feel well for having done so much for us
søn. 16. apr. 2017 kl. 11.12 skrev jeffrey E. <jeevacation@gmail.com>:

> I'll be better I feel terrible having to cut your stay short . There is much going on . Many investigations will begin
>
> On Sun, Apr 16, 2017 at 11:04 AM Thorbjøn Jagland <[redacted]> wrote:
>
>> Hope you recover quickly. We have had wonderful days. Tell me when you are coming to Paris so that we can talk. I really don't understand Trump. Today I have to deal with the referendum in Turkey. Endogan is another difficult to understand
>> T
>
> --
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From: David Stern [[redacted]]
Sent: 4/22/2017 5:46:37 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

Plus: my senior Chinese friends tell me the top gave Trump the go ahead to take on North Korea.
No idea if it's real.

On 22 Apr 2017, at 18:23, jeffrey E. <jeevacation@gmail.com> wrote:

[redacted]

On Sat, Apr 22, 2017 at 11:00 AM David Stern <[redacted]> wrote:

> When can I call you ?

--
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From: Weingarten, Reid [redacted]
Sent: 6/23/2017 9:48:45 PM
To: Jeffrey Epstein (jeevacation@gmail.com) [jeevacation@gmail.com]
Subject: FW: long time, no talk...

Importance: High

fyi

From: Greg Farrell (BLOOMBERG/ NEWSROOM:) [redacted]
Sent: Friday, June 23, 2017 11:32 AM
To: Weingarten, Reid
Subject: RE: long time, no talk...

It's about you: I'm told on good authority that Jared wants you as his atty. That's worth a story, if true...

Greg Farrell
Bloomberg News
office: [redacted]
cell: [redacted]

From: [redacted] At: 06/23/17 11:28:26
To: GREG FARRELL (BLOOMBERG/ NEWSROOM:)
Subject: RE: long time, no talk...

Yup.....like, respect and trust you and ain 't saying sh to anyone on or off the record about Russia/trump/comey etc....hard line....if I can help you on anything completely unrelated will

---

From: Greg Farrell (BLOOMBERG/ NEWSROOM:) [redacted]
Sent: Friday, June 23, 2017 11:25 AM
To: Weingarten, Reid
Subject: Re: long time, no talk...

So Oetken moved it to 506, instead of 706....

Anyway....got a quick moment to talk today?

Greg Farrell
Bloomberg News
office: [redacted]
cell: [redacted]

From: [redacted] At: 06/20/17 18:18:54

To: GREG FARRELL (BLOOMBERG/ NEWSROOM:)
Subject: Re: long time, no talk...

In trial in sdny

Sent from my BlackBerry 10 smartphone.

From: Greg Farrell (BLOOMBERG/ NEWSROOM:)
Sent: Tuesday, June 20, 2017 11:54 AM
To: Weingarten, Reid
Reply To: Greg Farrell
Subject: long time, no talk...

Hi Reid,

per my vm, I'm chasing a few DC-related legal stories and was hoping you might be able to help me out.

Got any time in the next few days?

Thanks,

Greg

p.s. Any word from Bernie E? Given Skilling's reduction, Bernie certainly deserves a second look, no?

Greg Farrell
Bloomberg News
office:[redacted]
cell: [redacted]

From: soon yi previn [redacted]
Sent: 6/30/2017 2:23:16 AM
To: soon yi previn [[redacted]]
Subject: Funny dog video of a dog gnawing at Donald Trump's hair.
Attachments: IMG_0642.MP4.mov; ATT00001.txt

Importance: High

Document Produced in Native Format

Invesco

Invesco Global Sovereign Asset Management Study 2017

This study is not intended for members of the public or retail investors.
Full audience information is available inside the front cover.

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Cover
Aerial view of Midtown
South, New York

Introduction

We published our first report on the sovereign asset management industry in 2013 following interviews with 43 sovereign investors. This year marks our fifth annual study with evidence-based findings based predominantly on face-to-face interviews with 97 leading sovereign wealth funds, state pension funds and central banks with assets in excess of US$12 trillion.

Over the past five years we've noted a number of factors influencing sovereigns such as low interest rates, the falling oil price and reduced funding. This year however we note geopolitical shocks in developed markets are shaping decision making. When coupled with uncertainty over the end of quantitative easing, the commencement of quantitative tightening and ongoing volatility in currencies and commodities it's clear sovereign investors are faced with a challenging macroeconomic and therefore investment environment.

The first theme in this year's report addresses the aforementioned factors and notes a continuing return gap between target and actual returns with asset deployment challenges limiting the ability for sovereigns to match strategic asset allocation targets. We note sovereigns are increasingly looking to evolve their business models through internalisation or investment partnerships to reduce management costs and improve placement efficiency.

Geopolitical risks have led to an increased concentration on perceived 'safe haven' international markets such as the US, India and Germany as well as an increasing focus on home market allocations in an effort to reduce foreign currency exposure.

We focus on real estate in our third theme, highlighting accelerated growth in the asset class. We examine the drivers for these allocations as well as setting out how and where assets are being deployed.

Despite sovereigns being well placed to implement Environmental, social and governance (ESG) strategies due to their size and long-term orientation, the uptake of ESG practices by sovereigns appears to have varying success. We highlight sovereigns' polarised perspectives on ESG investing across various regions.

We conclude with a theme focused on central banks. This year we have expanded and segmented our central bank sample to understand differences in strategy and pace of change with respect to investment tranches across developed and emerging markets.

We hope the unique, evidence-based findings in this year's report provide a valuable insight into a fascinating and important group of investors.

Alexander Millar
Head of EMEA Sovereigns & Middle East
and Africa Institutional Sales
alexander.millar@invesco.com
+44 1491 416180

Key themes

Shift from investment strategy to business model
The gap between target and actual portfolio returns along with declines in investment commitments are reshaping sovereigns' strategic agendas.

Increasing appeal of perceived 'safe haven' markets
Geopolitical uncertainty is leading to a focus on perceived 'safe haven' international markets and home markets.

Attraction to real estate for matching and flexible participation
Sovereigns are increasing allocations to high-quality direct real estate given perceived return, matching and flexibility attributes.

Environmental, social and governance (ESG) growth dependent on performance data
Perspectives on ESG are polarised with supporters moving to further embed and integrate ESG in investment processes while non-supporters wait for evidence of investment implications.

Central bank risk appetite driven by financial market exposure
Central bank investment priorities and risk appetite vary according to the size of the country's reserves and to the level of exposure to financial market shocks.

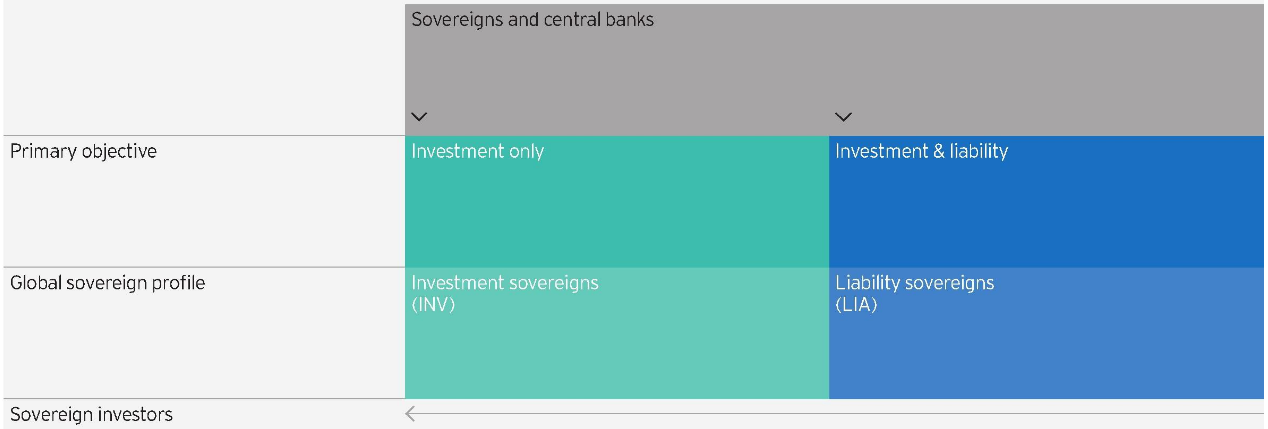
igsams.invesco.com
to view more content
on this year's themes

Sovereign segmentation is crucial to understanding attitudes and responses to external themes
Economic challenges affect sovereigns differently, according to their liabilities, risk appetites, funding dynamics and other factors. We use the framework in figure 1 to categorise sovereign investors. We will explore the unique implications of the themes in this report for each of these segments.

Investment sovereigns
Investment sovereigns do not have any liabilities, allowing for long time horizons and high exposure to illiquid asset classes. Due to this investment freedom, return targets are high – investment sovereigns have responded to falling returns by targeting greater illiquid asset exposure (to generate higher returns) and developing internal management capability (to capture more of the value chain), however many funds are reaching limits on these allocations.

Liability sovereigns
Liability sovereigns are split into funds with existing outflows (current liability sovereigns) and funds with future liabilities (partial liability sovereigns). While partial liability sovereigns have similar strategies to investment sovereigns (due to their long time horizons), matching outflows is a key concern for funds with current liabilities. The return gap is therefore of particular significance to liability sovereigns and many funds expect their target rates to eventually increase as they update models to lower 'risk free' rates and increasing life expectancy. To manage these concerns, many current liability sovereigns are seeking greater exposure to high-yielding asset classes.

Fig 1. Sovereign profile segmentation



	Sovereigns and central banks	
Primary objective	Investment only	Investment & liability
Global sovereign profile	Investment sovereigns (INV)	Liability sovereigns (LIA)
Sovereign investors		

[1] Central banks have secondary liquidity objectives as well as primary capital preservation objectives. They are distinct from sovereigns through their role in local market money supply and their regulatory function.

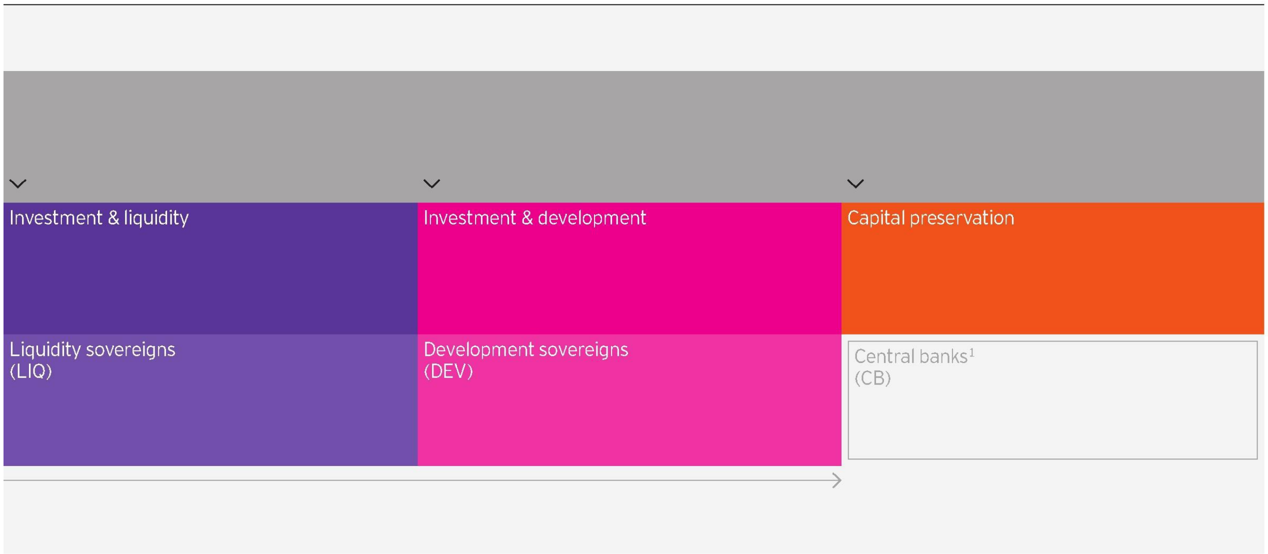
Liquidity sovereigns
Liquidity sovereigns manage assets to stimulate economies that are highly dependent on commodity prices during a market shock. Due to the unpredictable and sudden nature of outflows, liquidity sovereigns have extremely short time horizons and prioritise portfolio liquidity above investment returns. Despite low yields of government bonds, liquidity sovereigns are unable to seek higher returns from alternative asset classes due to the inherent liquidity risk.

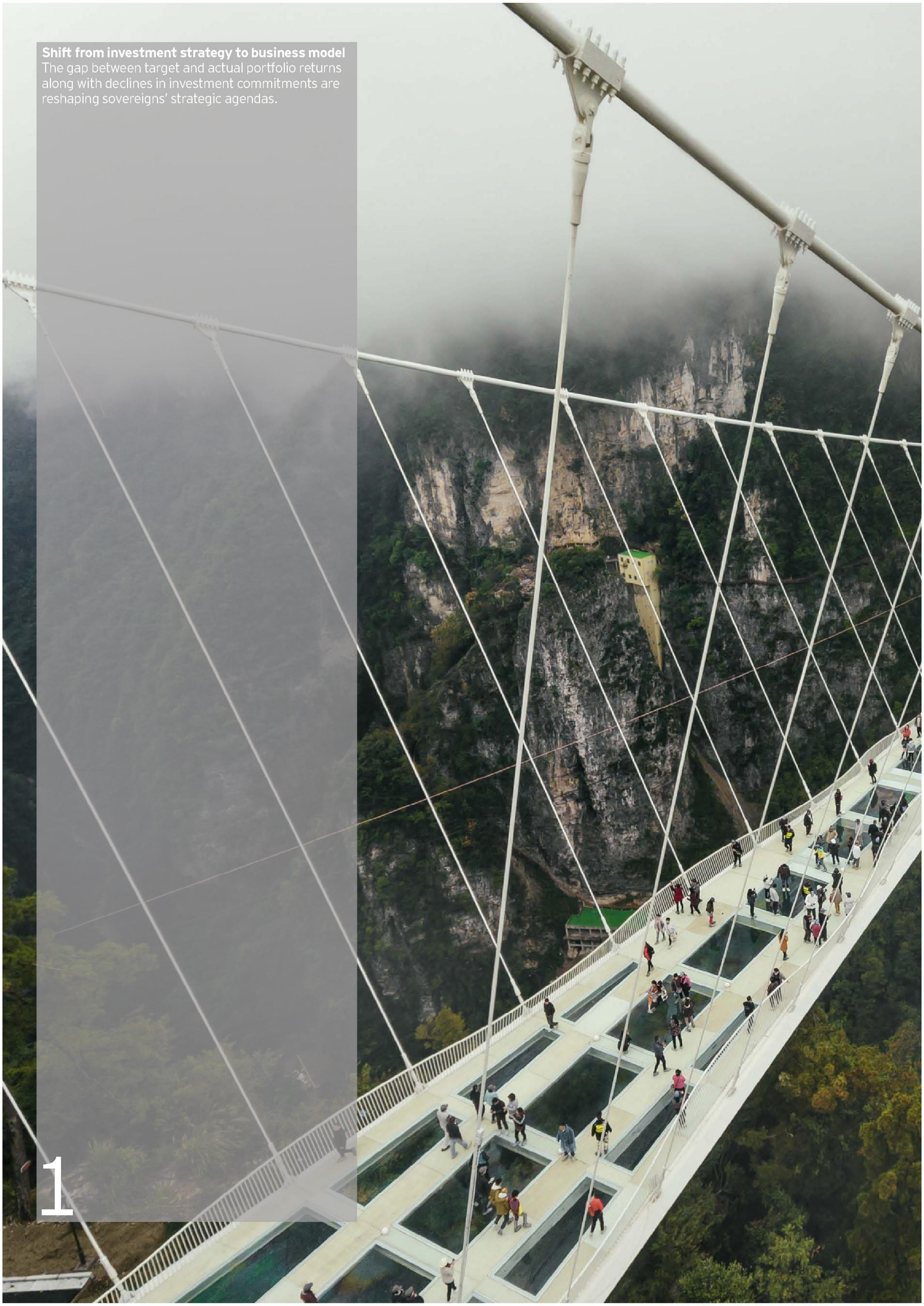
Development sovereigns
The asset and geographic allocation of development sovereigns is driven by the requirement to encourage local economic growth (rather than investment return). Development sovereigns take large (often controlling) stakes in companies of economic significance in order to grow their presence in the local market. While other sovereigns adjust allocations to maximise their asset growth and yield, development sovereigns consider their success in economic metrics such as GDP growth and job creation, working closely with their investments to grow long-term strategic assets. This means that development funds are relatively unreactive to return shortfalls and asset allocation trends.

Central banks
Central banks are 'lenders of last resort' – managers of a large foreign reserves portfolio to bail out financial institutions of public importance. Due to the importance of maintaining reserves to sufficiently cover such requirements, preservation of capital is of greatest importance. Central banks also have high levels of public accountability and disclosure, encouraging risk aversion through short time horizons and highly liquid investments. While other sovereigns invest in home market assets, central bank reserve managers hold the majority of their assets in foreign securities, increasing the importance of currency exposure relative to other sovereigns.

Unlike sovereign investors, central banks have objectives outside of reserves management, including local market liquidity management and maintenance of currency pegs. Since these external factors have influence over the foreign reserves, in this study we consider central banks separately from sovereign investors. However, as many government bonds have negative yields, certain central banks have looked to invest in non-traditional asset classes (e.g. equities) to preserve their capital, closer aligning their foreign reserves investment strategy to that of sovereign wealth funds.

Funding challenges and the low return environment have unique implications for each sovereign segment.

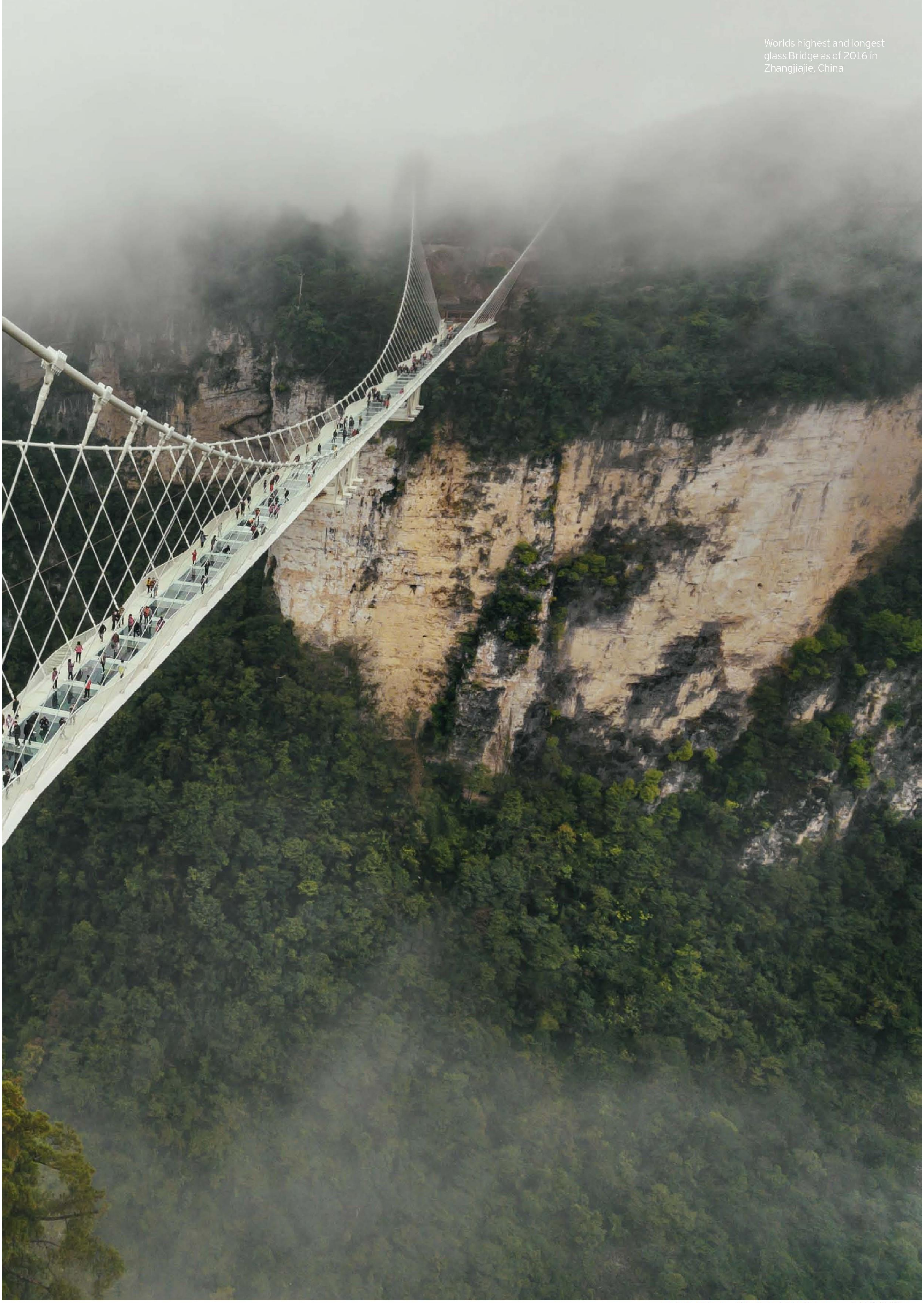




Shift from investment strategy to business model

The gap between target and actual portfolio returns along with declines in investment commitments are reshaping sovereigns' strategic agendas.

1



Worlds highest and longest glass Bridge as of 2016 in Zhangjiajie, China

The outlook for macro policy and for the geopolitical environment remains uncertain

Our fifth annual cycle of interviews took place between January and March 2017. In speaking with leading sovereign investors and central banks (with assets in excess of US$12 trillion) we identified a number of critical themes that shaped interview responses. Unsurprisingly, we noted that the outlook for macro policy and the potential for further geopolitical shocks dominated discussions.

- Sovereigns see the end of QE (Quantitative Easing) without a clear indication as to the form or timeframe for further QT (Quantitative Tightening). While the US has begun to raise interest rates, the Federal Reserve is engaged in parallel measures that may reduce the quantum and pace of further increases; and there is uncertainty whether and when other major markets will follow suit
- The bifurcation of the US and other developed markets (notably the UK, Germany and Japan) had significant implications for currency rates, challenging sovereign geographic allocations
- Political change in developed markets (notably Brexit and the US election) created volatility in sovereign portfolios, challenging the robustness of sovereign risk models. As policy changes are worked through governments (e.g. the terms of Brexit and US corporate tax reform), there will be wider implications for long-term geographic and asset allocation
- Emerging markets face various macro challenges, with commodity prices recovering slowly (e.g. oil, natural gas and copper) and an increasingly unstable political outlook in Brazil and South Africa

Sovereigns face a continuing 'return gap'

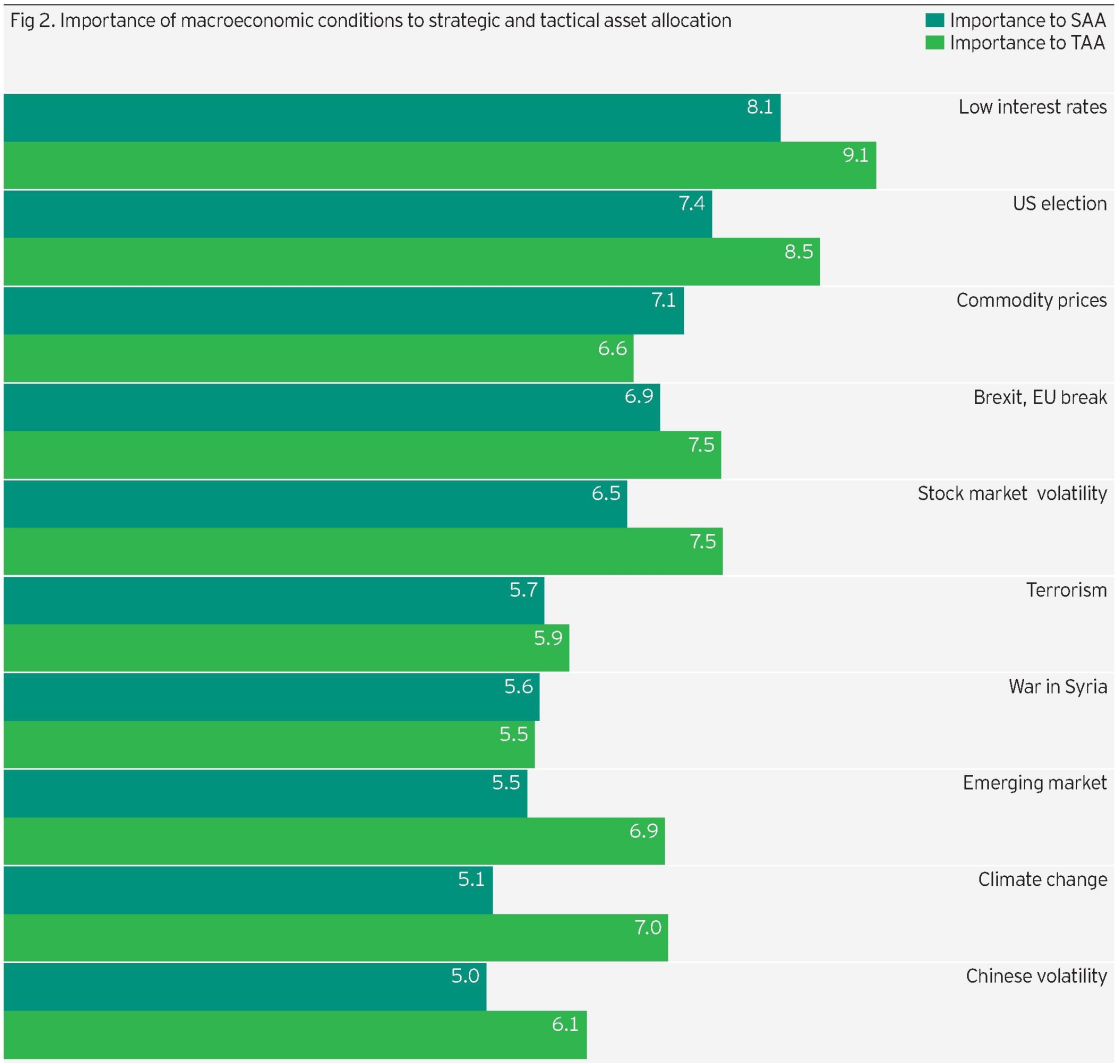
These dynamics suggest a continuation of the 'lower rates, lower return' environment over at least the next 24 months. While the lower return environment has been a consistent theme in past years, in 2017 the implications are compounded, with low interest rates the factor of greatest importance to both strategic and tactical asset allocations in figure 2. Risk asset valuations have inflated over a number of years, while the near-uniform tilt to alternatives such as infrastructure has resulted in supply challenges and delays.

In 2016, all sovereign profiles displayed a return gap (figure 3), driven by the low interest rate environment, however this shortfall was greatest among investment sovereigns. Traditionally, liability sovereigns have hedged fixed income against inflation (due to the focus on matching outflows to beneficiaries), while investment sovereigns have left their inflation exposure open. This has led to investment sovereigns having the greatest return gaps, as developed economies return to growth and inflation rises. While liquidity and development sovereigns are also suffering from low interest rates, respondents noted that investment returns were of secondary importance, relative to liquidity and development objectives. Furthermore, liquidity sovereigns noted that their long-duration fixed income assets had increased in value as rates fell.

Against this, sovereigns are challenged by fixed return targets, which are typically set to match potential liabilities and do not adjust to market conditions. Despite return challenges, we do not see a concurrent shift in investment activity year-on-year (as we go on to explore).

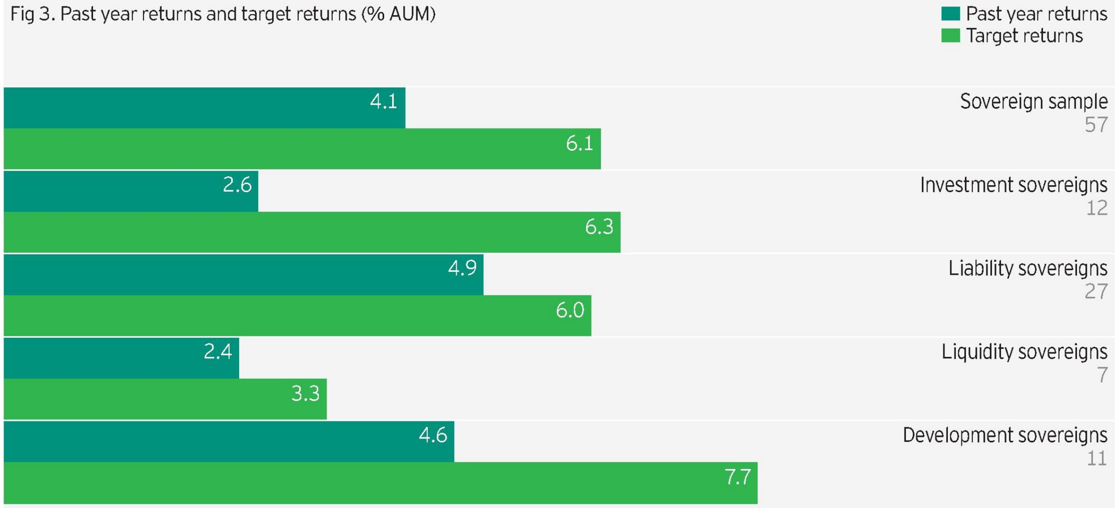
The challenges of the return gap are most severe among investment sovereigns.

Fig 2. Importance of macroeconomic conditions to strategic and tactical asset allocation



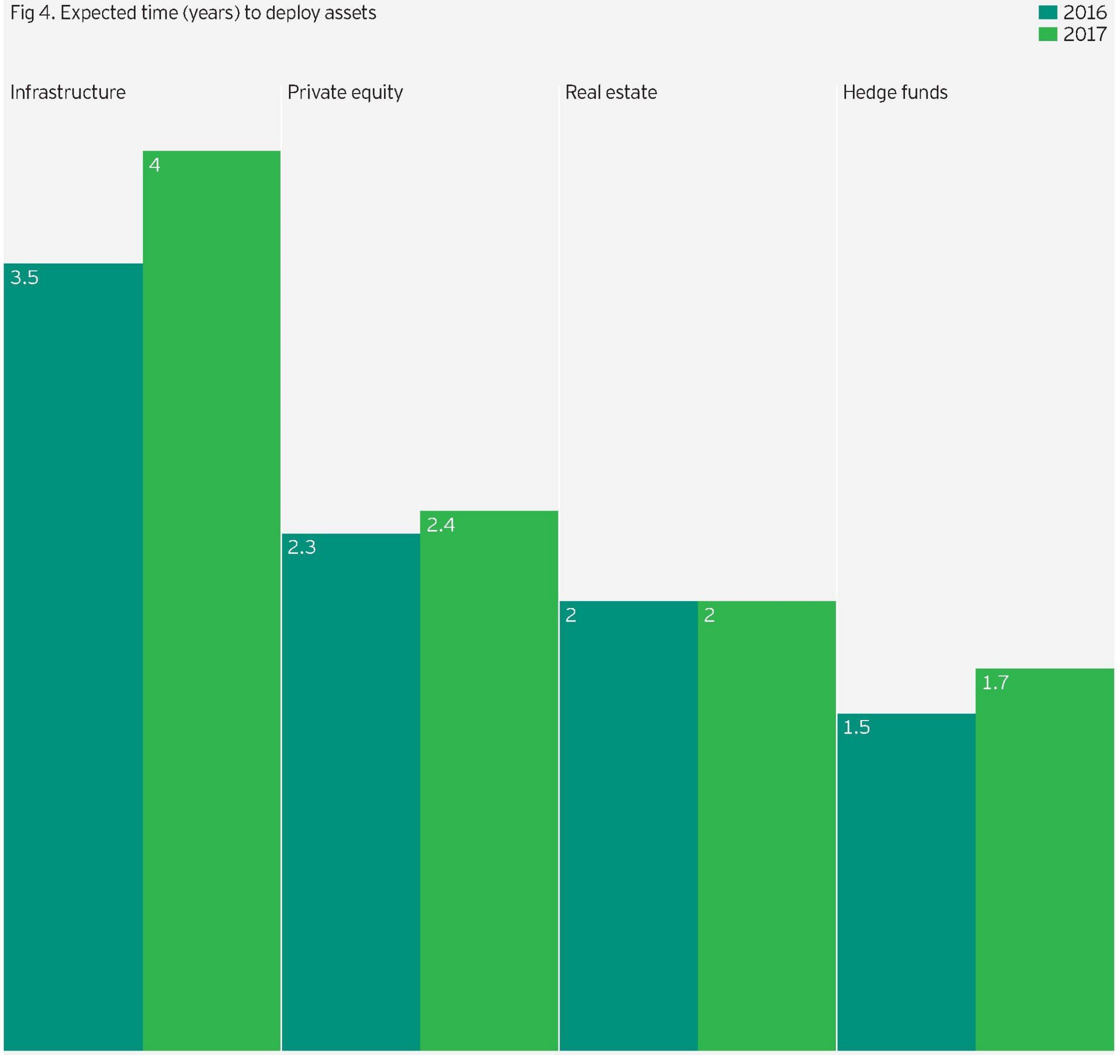
Sample is based on sovereign investors and excludes central banks. SAA=Strategic Asset Allocation. TAA=Tactical Asset Allocation. Sample=20.

Fig 3. Past year returns and target returns (% AUM)



Sample is based on sovereign investors and excludes central banks. Sample size shown in grey. Data is not weighted by AUM.

Fig 4. Expected time (years) to deploy assets



Sample is based on sovereign investors and excludes central banks.
Sample: 2016=21, 2017=35.

Deployment challenges are limiting sovereign ability to match targets

In previous reports, we observed sovereigns' return gaps, driven by low interest rates and challenging targets for fixed income allocations. We have also noted how appetite for alternatives has grown as sovereigns seek greater returns from private markets. In last year's report, we demonstrated that high levels of competition in infrastructure and private equity were causing sovereigns to shift deployment of real assets towards real estate.

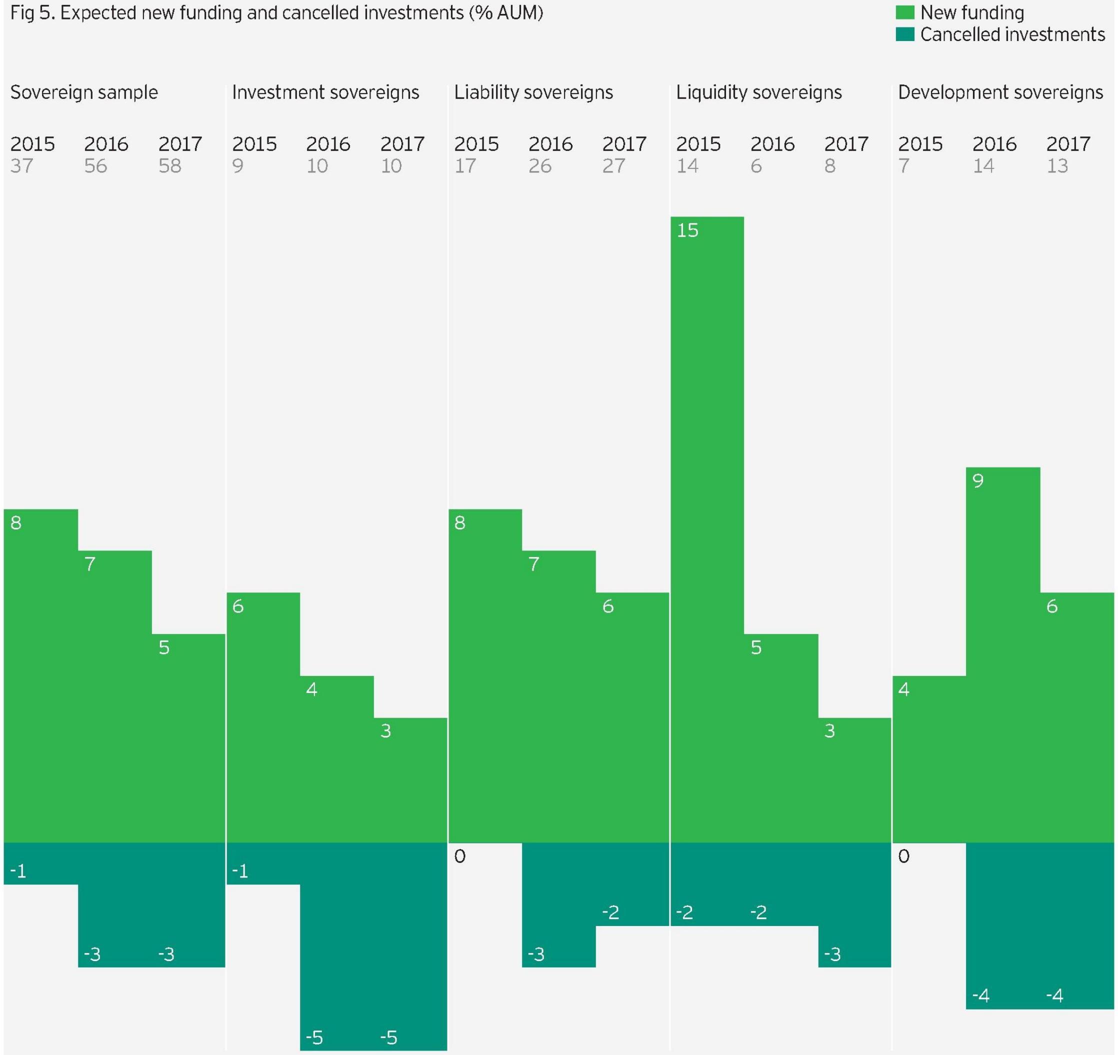
Competition for infrastructure and private equity deals has accelerated in 2016, with deployment times increasing across alternative asset classes (figure 4). While the growth in these times is small, it is significant: sovereigns are increasingly dependent on their alternative investments to generate yields, however, growing levels of undeployed capital for alternative investments are being held in cash and money market funds, so that sovereigns can respond quickly when real asset opportunities arise. These highly liquid investments offer limited returns, particularly in comparison to sovereign targets for real asset investments, causing further growth in the return gap.

Risk of fund withdrawals is slowing further illiquid asset investment

The ability of sovereigns to respond to the return gap is being limited by the increasing likelihood of withdrawals. Over the past three years, governments have responded to economic volatility by reducing new funding to sovereigns and, in some cases, drawing down from sovereign reserves, as seen in figure 5.

While previously only liability sovereigns experienced regular drawdown of funds (in the form of outflows to beneficiaries), an increasing propensity for government withdrawals is encouraging investment and liquidity sovereigns to consider the liquidity of their portfolio. Liquidity sovereigns were comfortable in their ability to withdraw from their portfolio at short notice, however, many sovereigns stated that liquidity management was an entirely new objective, with certain investment sovereigns responding by creating tactical allocations to cash and money market funds. This has led to conflicting liquidity requirements: sovereigns have to manage withdrawal risks by shortening time horizons while simultaneously seeking to access illiquidity premia to generate greater returns.

Fig 5. Expected new funding and cancelled investments (% AUM)



Sample is based on sovereign investors and excludes central banks. Sample sizes shown in grey. Data is not weighted by AUM. Periods shown reflect past year new funding/cancellations.

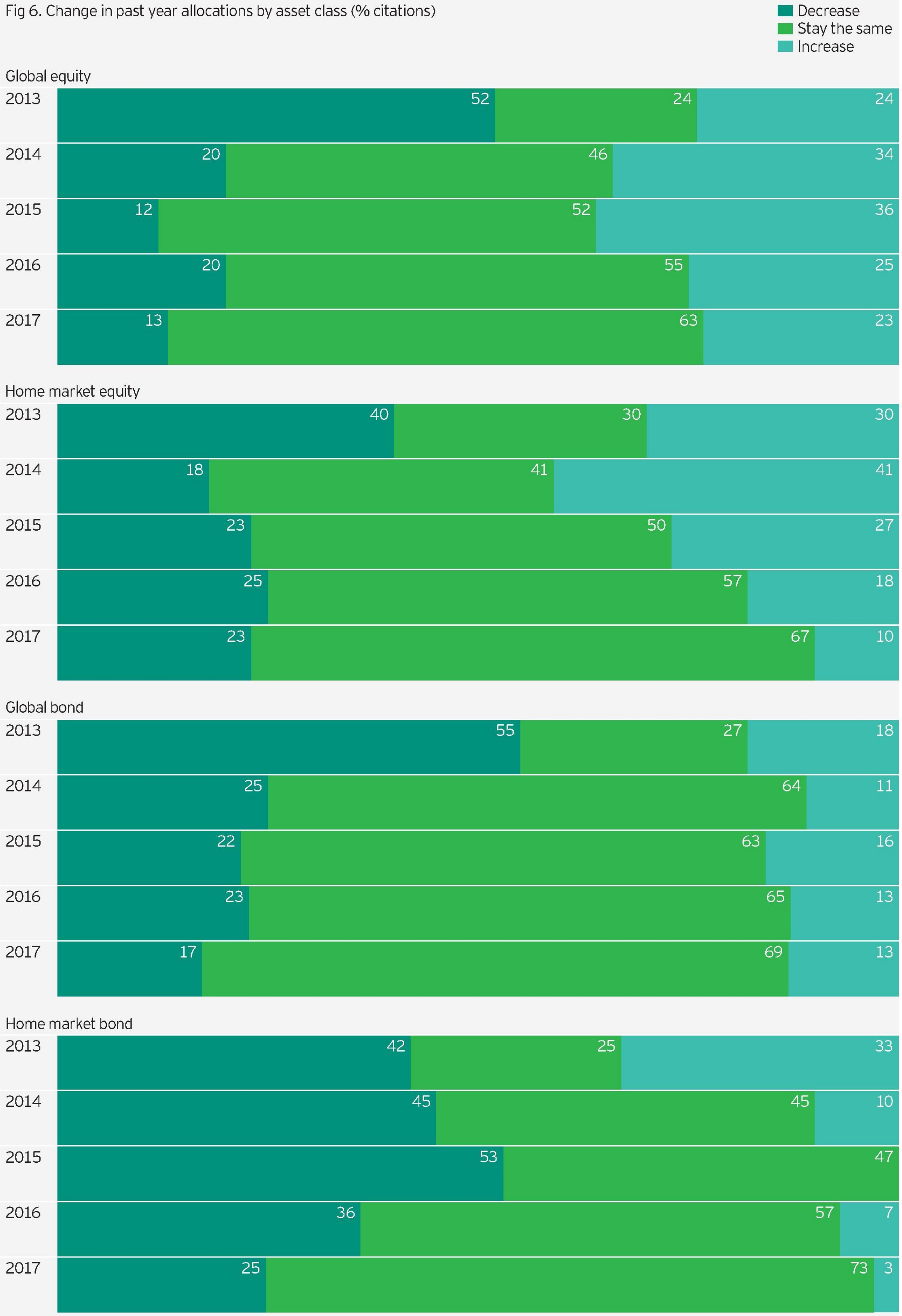


Fig 6. Change in past year allocations by asset class (% citations)

Sample is based on sovereign investors and excludes central banks.
Sample: 2013=22, 2014=36, 2015=33, 2016=44, 2017=60.

Uncertain market direction has challenged response to return gaps through asset allocation

Political change across developed markets challenges high conviction geographic allocations outside a small number of perceived 'safe haven' markets. Similarly, the staggered shift to QT is creating uncertainty over sovereign forecasts for asset class performance. Additionally, in many cases allocations to illiquid assets were approaching restrictions put in place by investment boards, with little room to further tilt to risk classes.

Such uncertainty over investment strategy means that very few sovereigns are willing to adjust strategic asset allocations, and internal restrictions are a challenge to those that are seeking to change. This can be seen in figure 6, in which an increasing number of sovereigns state they have 'frozen' asset allocations to traditional asset classes.

A focus on business model to drive implementation efficiency and liquidity premium capture

As willingness to take active positions in geographic and asset allocation decreases, the effects of the return gap are compounded. Sovereigns are unable to respond to growing shortfalls through asset allocation alone, and are instead looking at how to evolve their business models to drive more efficient realisation against portfolio objectives, notably through internalisation or investment partnerships to reduce management cost and improve placement efficiency.

However, sovereigns acknowledged that any changes to business models carried trade-offs against execution and investment risk:

- Many respondents have struggled to reach target alternative allocations and the shift to internalise or move to co-investment or operating partnerships may create further constraints
- Over-investing in privately listed assets puts sovereigns at risk of future valuation adjustments while utilisation of alternative deployment models (working directly with operating partners) has implications for governance processes and disclosure
- Reducing intermediation while potentially improving line-of-sight to placement also reduces external objective inputs to asset selection and valuation
- Finally, the tilt to internalisation may not be consistent with geographic diversification objectives, and there is some evidence of an increasing 'home market' bias despite stated objectives to the contrary

While the motivation for business model changes is clear and aligned, there is an acknowledgement amongst participants that not all sovereigns will be successful in executing, with the potential for risk or investment shocks where execution is unsuccessful. As willingness to take active positions in geographic and asset allocations slows, sovereigns must engage with investment boards to include consideration of market conditions (as well as potential outflows) in their return targets to continue to work towards their long-term objectives.

With limited scope to act through allocation sovereigns are focused on alternative levers.

Increasing appeal of perceived 'safe haven' markets
Geopolitical uncertainty is leading to a focus on perceived 'safe haven' international markets and home markets.

2

S3II TUNNEL CONSTRUCTORS
KNAACK

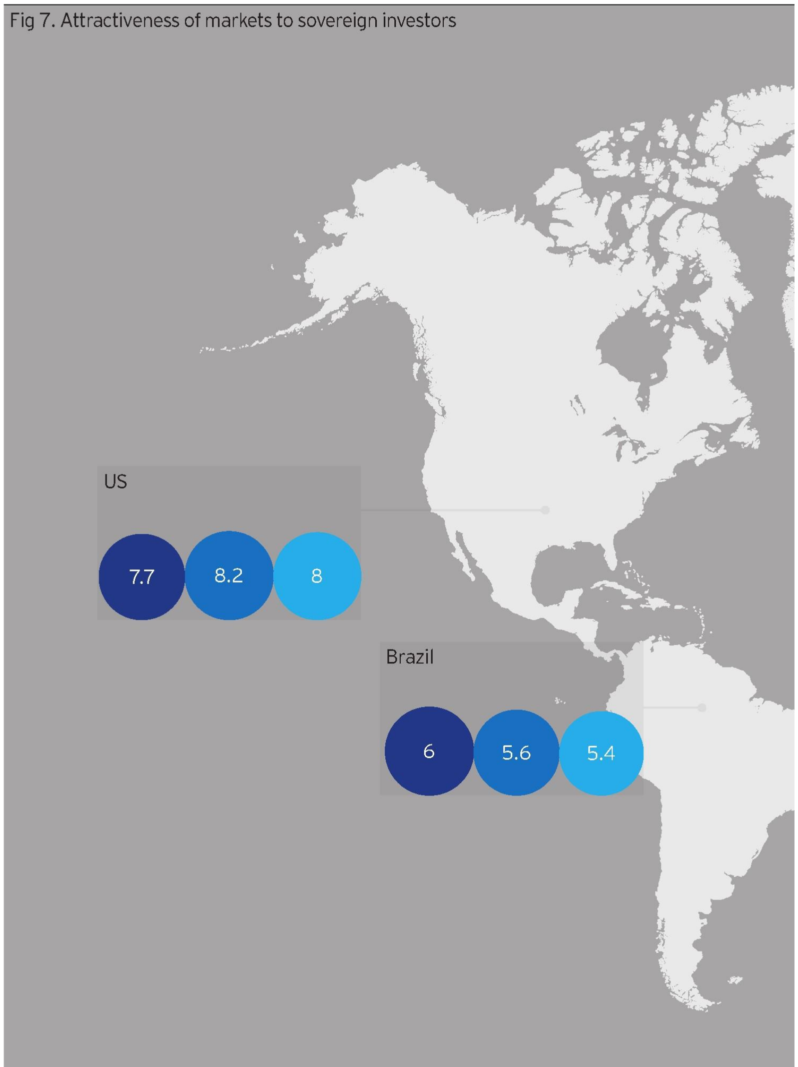
Construction of subway
system extension,
New York

Sovereigns are targeting markets offering security and growth

Traditionally sovereigns have grouped countries by economic development or geographic region to form their overall geographic allocations. Indeed, last year, we highlighted increased allocations to North America, based on perceptions of the US as a 'safe haven' for sovereign assets, driven by the strength of its currency and positive tax changes for international investors.

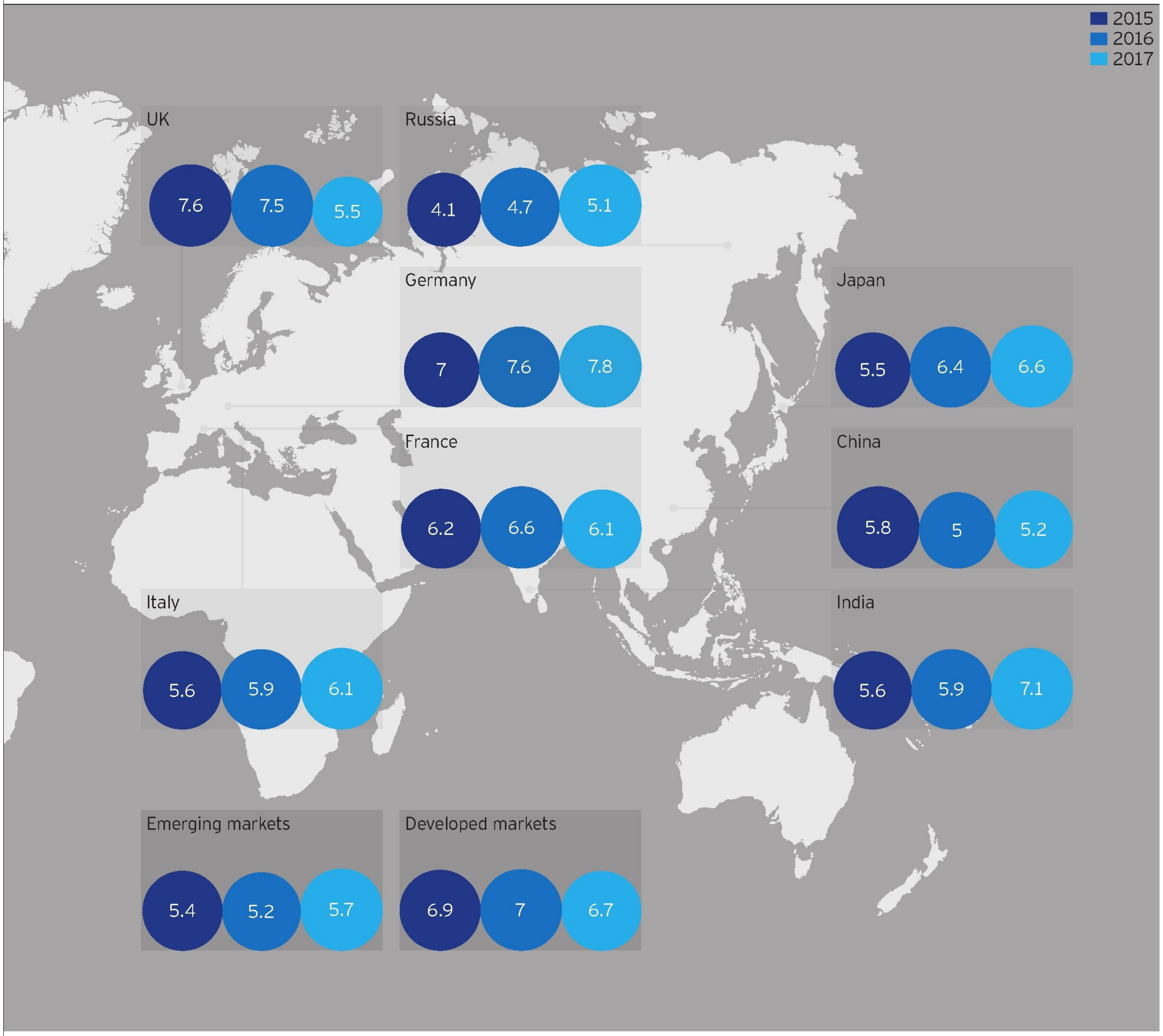
While at a high level, sovereigns have been unwilling to adjust regional allocations (as outlined in theme 1), idiosyncratic geopolitical risks are causing sovereigns to reweight to countries within these allocation bands. In developed markets, uncertainty over global interest rates is shifting this focus to identifying markets to shelter assets (as shown by the increased attractiveness of the US and Germany in figure 7), with Brexit and the US election cited as the factors of fastest growing importance to asset allocation (growing importance cited by 82% and 68% of sovereigns respectively). Similarly, emerging markets sovereigns are identifying countries with the greatest potential for long-term economic growth.

Fig 7. Attractiveness of markets to sovereign investors



Sample is based on sovereign investors and excludes central banks.
Rating on a scale from 1 to 10 where 10 is the most attractive. Rating scored as of Q1 of the given year.
Sample: 2015=26, 2016=44, 2017=58.

Sovereigns are seeking greater exposure to perceived 'safe havens' within each key region.


2015
2016
2017
UK
7.6
7.5
5.5
Russia
4.1
4.7
5.1
Germany
7
7.6
7.8
Japan
5.5
6.4
6.6
France
6.2
6.6
6.1
China
5.8
5
5.2
Italy
5.6
5.9
6.1
India
5.6
5.9
7.1
Emerging markets
5.4
5.2
5.7
Developed markets
6.9
7
6.7

Growth of the US for both returns and protection
The attractiveness of the US has been driven by interest rate rises (with expectations for further raises this year) and bond yields lagging in other developed markets (figure 8). There is also market confidence of a 'pro-business' corporate tax regime following Trump taking office in January 2017, causing sovereigns to note the growth potential of US equity markets (with 40% of sovereigns expecting to increase North American allocations in 2017), as other developed market stocks remain flat. Currency strength underlies this optimism (USD up 3% against EUR and 20% against GBP in 2016[1]), with some sovereigns deliberately targeting dollar exposure through their international investments. Liability sovereigns noted the dual benefit of the open currency position, both eliminating hedging costs and generating additional returns relative to home market currency.

In our 2015 sovereign study, we highlighted the attractiveness of real estate investments in developed markets. Under FIRPTA (Foreign Investment in Real Property Tax Act), sovereign appetite for real estate investment in the US has further grown. Most notable, however, is the growing optimism around the potential for new infrastructure deals in the US following political campaigning suggesting an investment opportunity of US$1 trillion.

Despite positivity, sovereigns in Europe and Asia noted that successful US real estate investments gave no guarantee of similar opportunities within infrastructure. Many respondents were concerned about growing protectionism in the US, questioning if it might both limit access to infrastructure and real estate investments for foreign sovereigns and would have long-term economic implications as foreign relations are strained.

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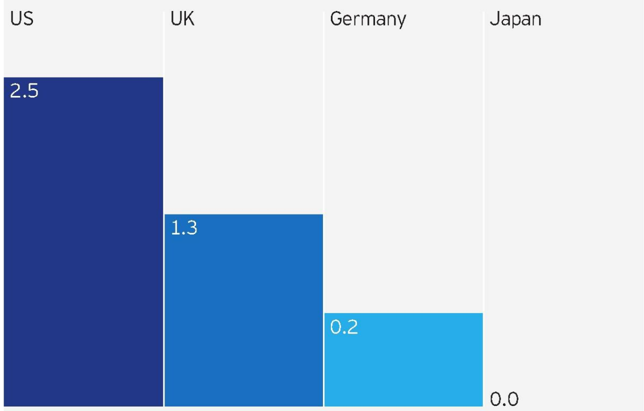
[1] Source: XE currency data. Data from 01 January 2016–01 January 2017.

Currency strength underlies optimism for the US.

Fig 8. 10-year government bond yields



Source: US – US Treasury Resource Center, UK – Bank of England Data, Germany – Bundesbank Statistics, Japan – Ministry of Finance Interest Rate Index. Data taken as daily average yield on 30 December 2016.

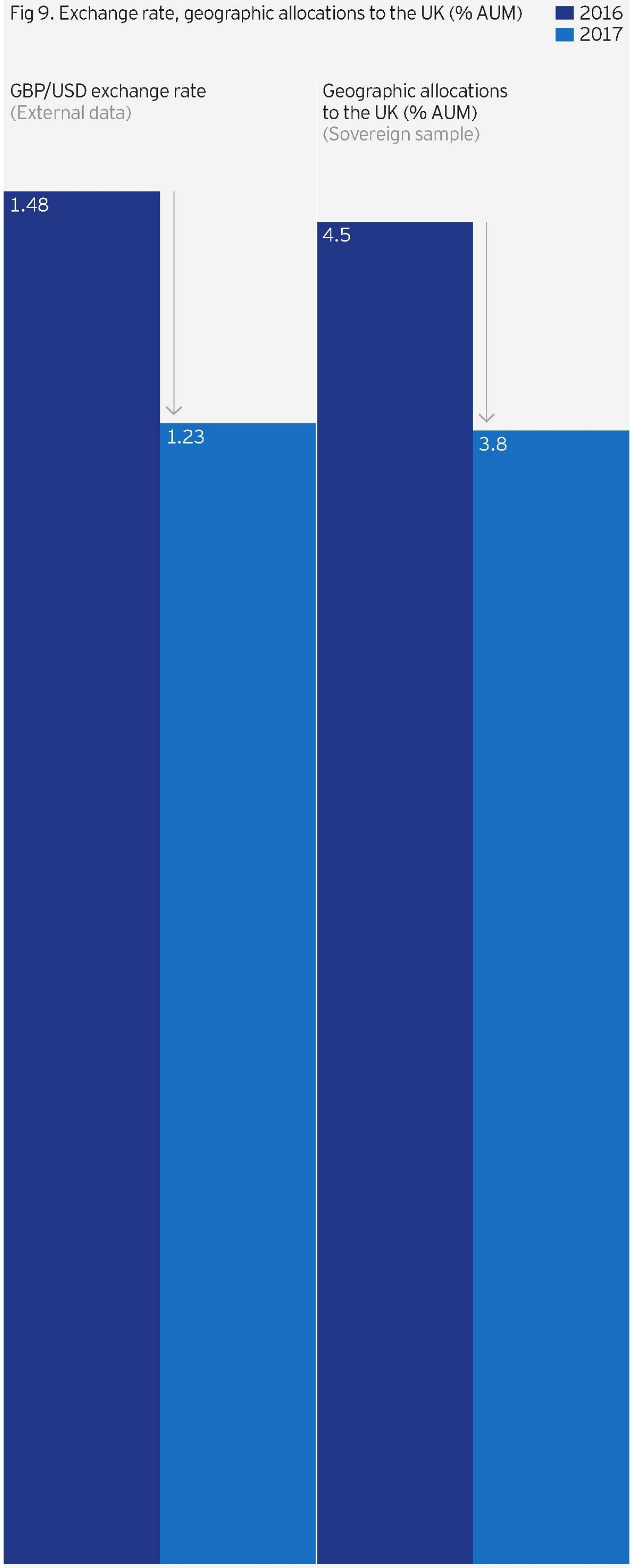
UK challenges centred on currency, but future role as European hub is unclear

While the UK has faced short-term challenges over low interest rates (relative to the US), the Brexit decision poses a threat to the long-term attractiveness of the UK. Brexit is seen as a significant negative for UK investment, and investment sovereigns with European interests questioned the future of the UK as an 'investment hub' for Europe, given uncertainty over taxes on imports and market access. Liquidity sovereigns also noted their concern that demand for UK government bonds would drop, challenging the liquidity of their holdings.

Despite this negative sentiment, UK allocations remain relatively stable with stated declines likely linked to currency fluctuations rather than withdrawal, as demonstrated in figure 9. Furthermore, the fall in value of the pound has led to a rally in UK stocks as export-linked businesses benefit from more competitive pricing. The low value of the pound also allows UK asset managers to offer their services at a discount to international competitors. This low entry price into the UK represents an opportunity for UK managers who can demonstrate local market expertise and robust currency hedging processes to international sovereign investors.

There has also been a demonstration of ongoing sovereign commitment to long-term alternative investments in the UK. Many sovereigns noted that they were unlikely to cancel UK real estate assets in the near future and there have been several high-profile statements of renewed commitment to UK infrastructure investments following the Brexit decision, including Thames Water and Heathrow Airport. However, respondents noted that these are long-term investments which are unlikely to move until the outlook of the UK as a preferred investment destination (comparable to the US or Germany) becomes clearer.

Fig 9. Exchange rate, geographic allocations to the UK (% AUM)



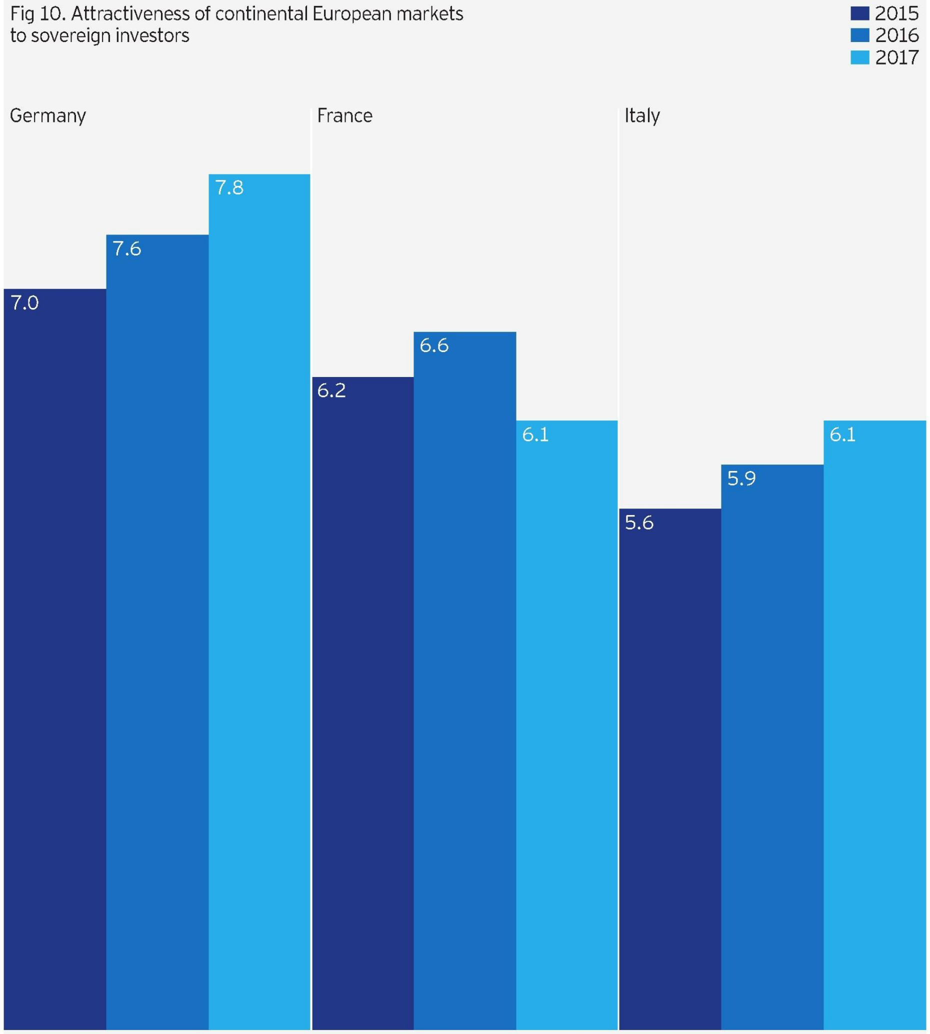
LHS: Source – XE currency data. Data as of beginning of given year. RHS: Sample is based on sovereign investors and excludes central banks. Data is not weighted by AUM.
Sample: 2016=55, 2017=57.

Positivity towards Germany amidst concerns for Continental Europe

Brexit has raised awareness of the related threat of wider EU disbandment, although this has had a relatively small effect on Continental European allocations on the whole (from 12.8% of AUM in 2016 to 11.2% in 2017). Instead, it has caused sovereigns to focus on the more stable countries within the EU.

Sovereign investments in Germany have increased based on its economic strength (with its attractiveness increasing year-on-year in figure 10), and many respondents attribute this to Germany's industrial sector (an estimated 30.3% of GDP relative to 19.2% in the UK, 19.4% in France and 23.9% in Italy). However, investment sovereigns identified German financial markets as an area of potential growth post-Brexit, offering a stable platform for investments across Europe. Furthermore, liability sovereigns explained that if the eurozone were to disband, Germany's role as the financial hub of Europe would have significant upside for the German currency, with many funds building currency hedging strategies to take this into account.

Fig 10. Attractiveness of continental European markets to sovereign investors



Sample is based on sovereign investors and excludes central banks.
Rating on a scale from 1 to 10 where 10 is the most attractive. Rating scored as of Q1 of the given years.
Sample: 2015=26, 2016=44, 2017=58.

Germany is seen as a stable platform for investments across Europe.

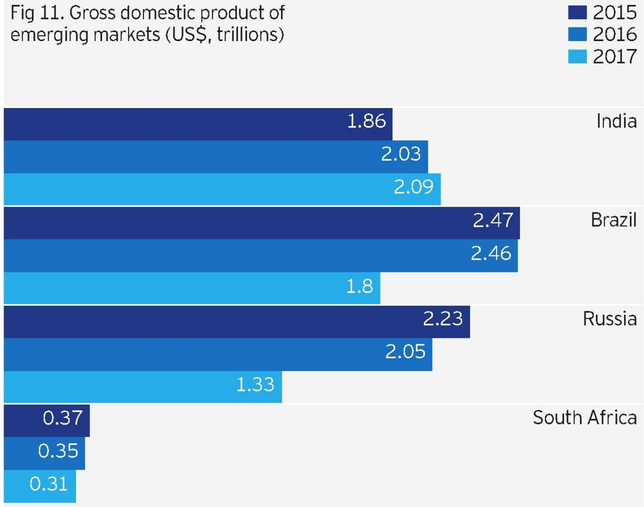
Sovereigns see potential in Indian private markets
Despite tactical switching between developed markets, increasing investment into emerging markets remains a long-term strategic objective for many sovereigns (as stated in our 2016 report). Stock markets have relatively small coverage of emerging market economies, driving greater emphasis on illiquid real asset categories. In fact, many sovereigns use infrastructure deals to manage near-term macro and geopolitical risk, as outlined in our 2015 study. However, challenging placement dynamics and uncertainty over commodity prices mean sovereigns are being more selective in their emerging market investments, focusing on the identification of high-growth markets.

While many emerging markets have struggled with slow commodity price recovery and political instability, India has experienced consistent growth in GDP (figure 11). However, India's economic structure is complex and publicly listed investments have relatively low coverage of the wider economy (with stock market capitalisation 65% of GDP in India, relative to 146% in the US and 112% in the UK). Indeed, many sovereigns are focusing on opportunities within Indian private equity (as seen in India's increasing private sector attractiveness in figure 12), seeking returns from its rapid urbanisation.

Typically, in emerging markets sovereigns have faced considerable regulatory and governance challenges to direct private equity investment, leading them to seek assistance from external managers. However, in 2016 India introduced reforms to foreign direct investment, loosening government restrictions on investment in certain sectors, with wider reform expected in 2017. This has enabled large investment and liability sovereigns to invest heavily in Indian private equity, and many funds are developing internal management expertise based in India to have greater access and control over private equity investments.

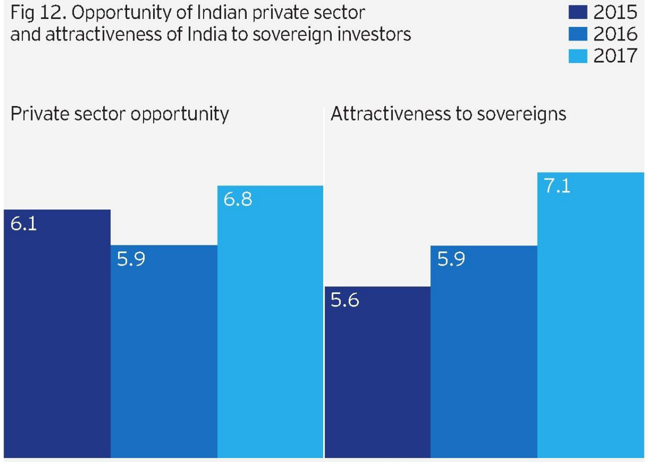
Despite sovereign desire to invest directly in Indian private equity, the development of local management capability is often complex and deployment of assets to meet targets will be lengthy. While concerns remain over governance and liquidity of private equity investments in emerging markets, sovereigns note that local management teams are best equipped to deal with these concerns.

Fig 11. Gross domestic product of emerging markets (US$, trillions)



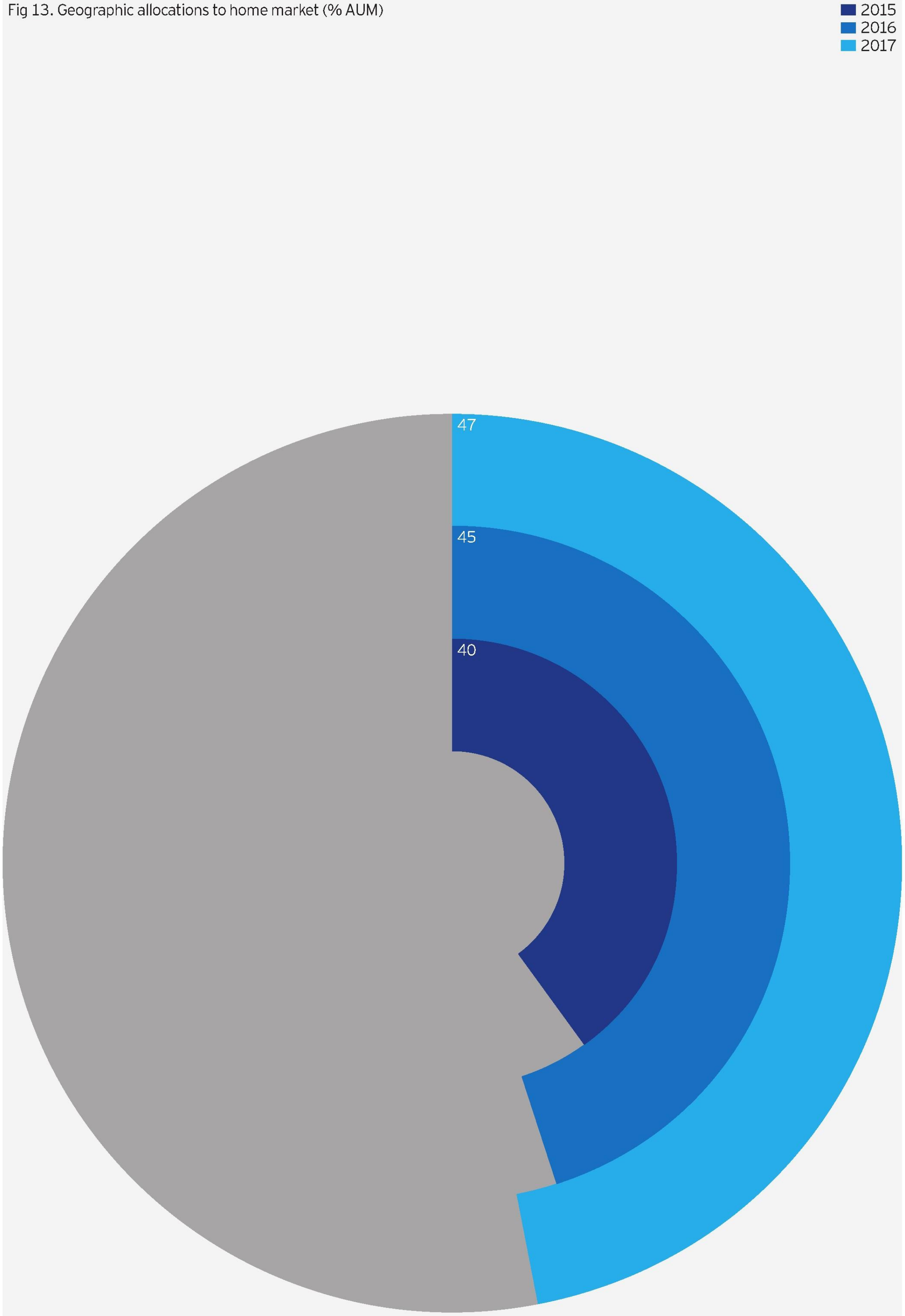
Source: World Bank Data - GDP (Current US$) data as at 17 April 2017.

Fig 12. Opportunity of Indian private sector and attractiveness of India to sovereign investors



Sample is based on sovereign investors and excludes central banks.
Rating on a scale from 1 to 10 where 10 is the most opportunistic/attractive. Rating scored as of Q1 of the given years.
Sample: 2015=26, 2016=44, 2017=58.

Fig 13. Geographic allocations to home market (% AUM)



Sample is based on sovereign investors and excludes central banks. Data is not weighted by AUM.
Sample: 2015=39, 2016=55, 2017=57.

Home market investment allows for greater internalisation and reduced hedging costs

Given recent increases in the likelihood of outflows, figure 13 shows how sovereigns are growing their focus on home market allocations to reduce foreign currency exposure. While home market investment aligns to greater internalisation, it also grows correlations between sovereign portfolio performance and local economic performance. Since sovereign funding is also heavily dependent on the local market, sovereigns are at risk of increasing cashflow strains (from both investment returns and new funding) when the local economy underperforms.

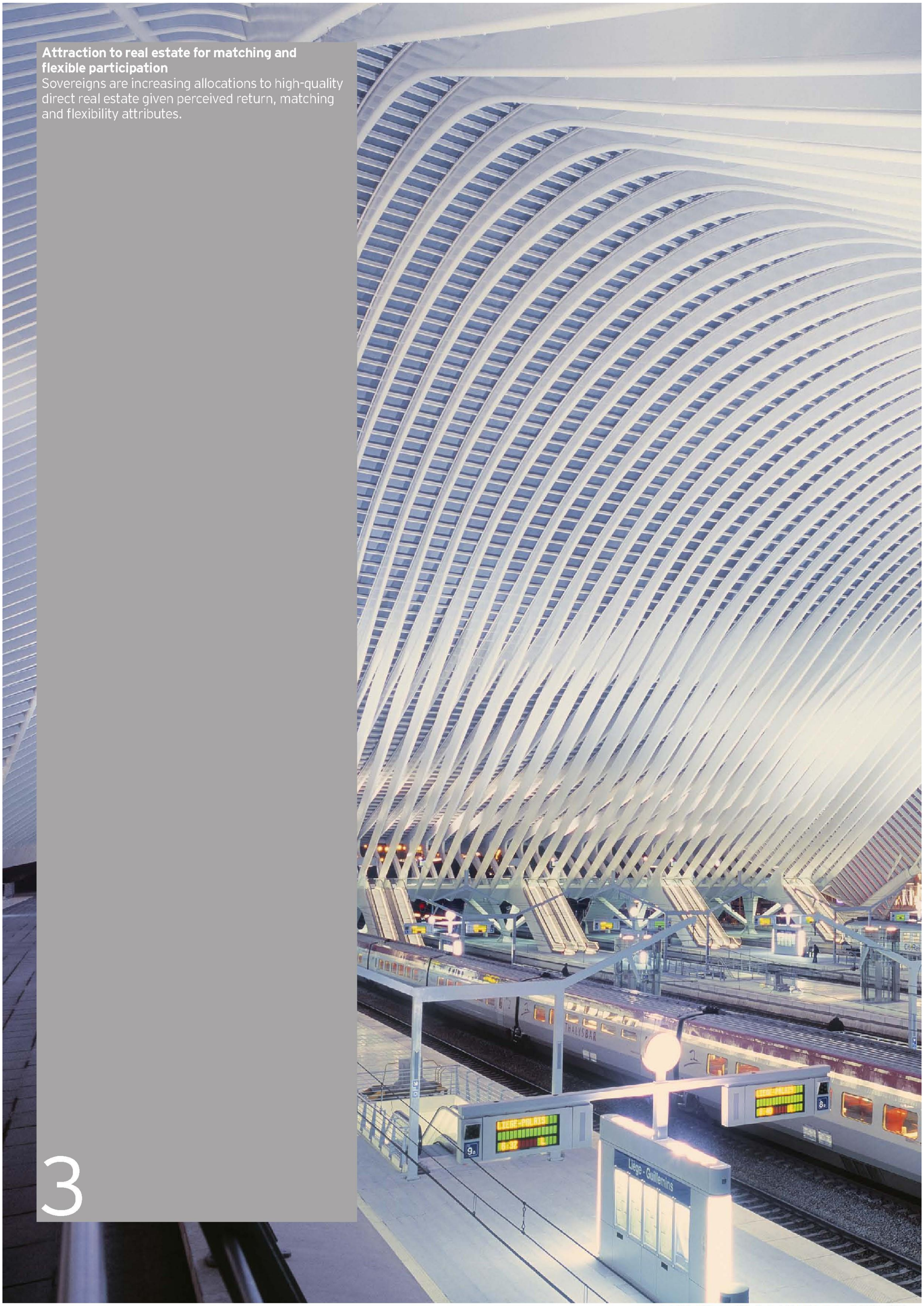
Sovereigns may need to revert to greater geographic diversification, at the cost of short-term returns

The combination of continuing home market tilts, along with a concentration in a small number of 'safe havens', threatens to squeeze allocations to markets that lack clear growth or stability attributes. As the granularity of geopolitical risk models increases, sovereigns are at risk of being overly selective in their geographic investments and becoming dependent on single markets within geographic regions.

However, many of the driving forces behind concentrated geographic allocations are unlikely to last. Interest rate disparity in developed markets is expected to reduce if European and Japanese quantitative tightening begins, suggesting that increased fixed income allocations to the US are tactical. Similarly, while growing emerging market allocations is a strategic initiative, India has been targeted due to its recent economic growth, relative to other major emerging markets.

While sovereigns are willing to be overweight individual countries to capture additional returns (either through short-term tactical allocations or greater internalisation), they may shift their focus back to managing risk across diverse geographic allocations, fulfilling their aim to make government reserves independent of local economic performance.

These is an inherent risk in overcommitting to individual markets.



Attraction to real estate for matching and flexible participation

Sovereigns are increasing allocations to high-quality direct real estate given perceived return, matching and flexibility attributes.

3

LIEGE-PALAIS
6:32
9a
8a
Liège - Guillemins
THALYSBAR

Trains arriving at Liège-Guillemins train Station by Santiago Calatrava, Belgium

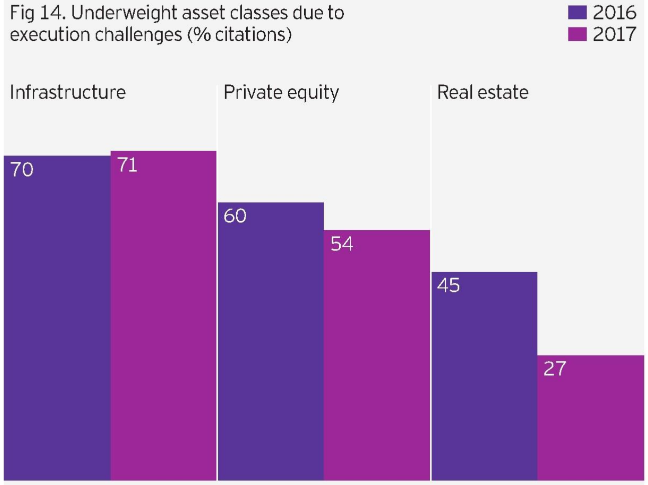
Liège - Guillemins
Liège - Guillemins
Liège - Guillemins

Real estate is perceived as attractive based on supply of investment opportunities
In last year's report, we monitored sovereign investment in real estate, with its perceived superior supply-side dynamics relative to other real asset and alternative categories. While asset allocation shifts have slowed this year, the trend towards real estate has accelerated, driven by capacity for sovereign investment. For example, it is noted that while relatively few countries offer private investors access to a wide range of investment-grade infrastructure investments, there is broad access to commercial and office sectors across major developed and emerging markets, causing sovereigns to cite real estate as the asset class with the fewest execution challenges (figure 14).

Furthermore, investment sovereigns with large internal teams noted that real estate was unique in its scope for greenfield investment. Sovereigns continue to develop internal asset management capability in real estate (figure 15 highlights the high levels on internal management within real estate), enabling them to generate investment opportunities themselves, rather than source and compete for real estate deals with other investors. In an environment where challenges executing against target real asset and alternative allocations drag on investment returns, supply depth is a key differentiator for real estate.

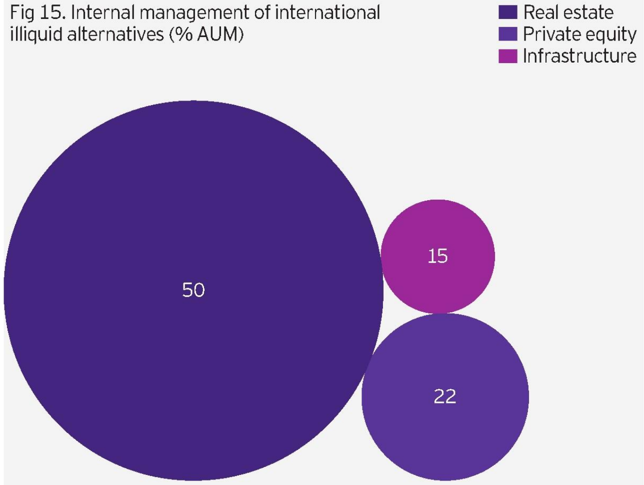
Target illiquid alternative allocations have increased, despite deployment challenges.

Fig 14. Underweight asset classes due to execution challenges (% citations)



Sample is based on sovereign investors and excludes central banks.
Sample: 2016=20, 2017=41.

Fig 15. Internal management of international illiquid alternatives (% AUM)



Sample is based on sovereign investors and excludes central banks. Data is not weighted by AUM.
Sample: Real estate=31, Private equity=26 Infrastructure=24.

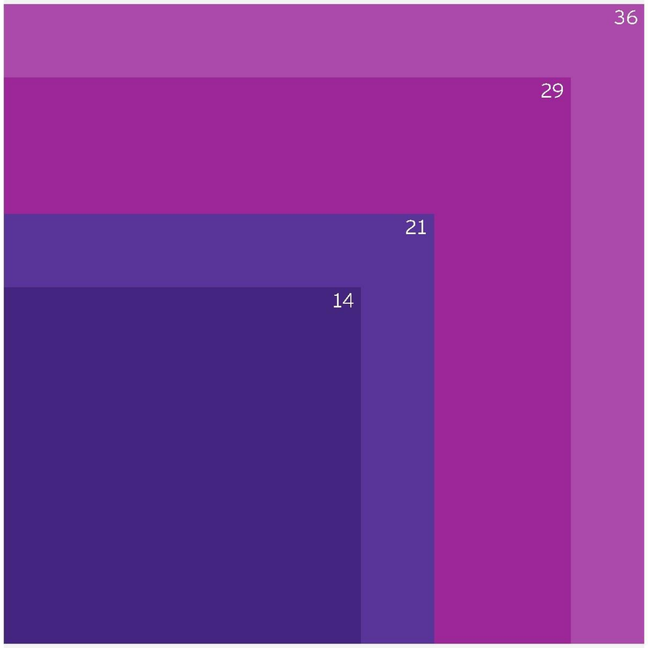
Real estate offers income generation and access optionality

This year, sovereigns cited a range of reasons for increasing target real estate allocations, including the scope to capture liquidity alpha, the potential to generate income matching mid- to long-term liabilities and the potential for internalisation and control. With lower interest rates, lower funding commitments to sovereigns and a lack of appetite to vary asset allocations, the potential for leveraged participation in real estate (equity and debt) appeals to sovereigns seeking alternative means of scaling 'frozen' asset allocation to match liabilities.

In addition, while there are few alternatives to third-party management and fee structures across infrastructure and private equity (with co-investment in many cases challenged by fund governance and risk appetite), sovereigns have a broad range of options to participate in the development, acquisition and management of real estate. Indeed, there was no consensus among sovereigns on the best placed real estate manager, with internal and external managers, developers and operators cited as preferred real estate partners in figure 16. Sovereigns are also attracted to the flexibility of real estate value chain participation as it reduces upfront funding commitments and allows for a gradual internalisation of expertise and resource.

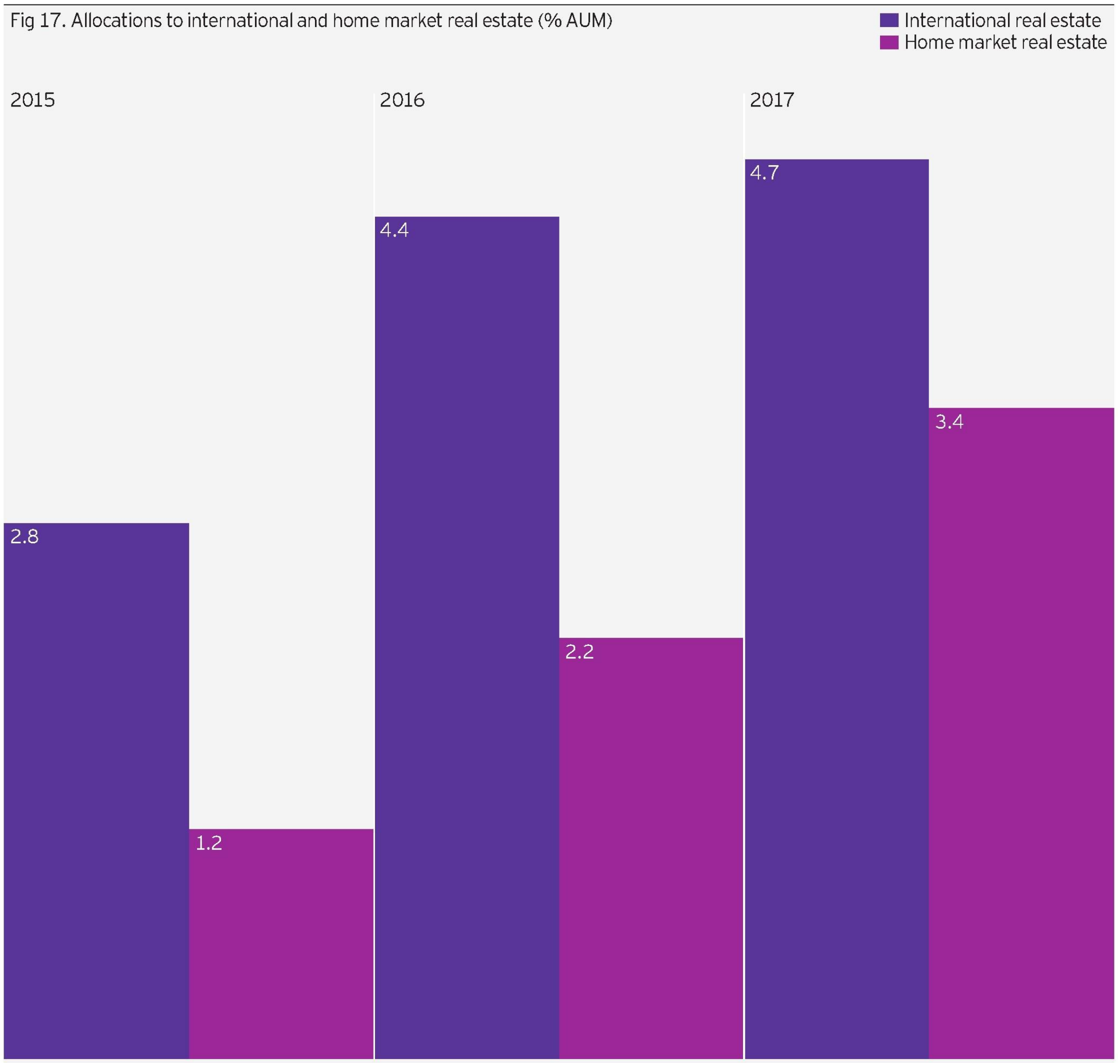
Low fixed income yields means sovereigns are beginning to view property as a reliable source of income.

Fig 16. Preferred manager for real estate investments (% citations)



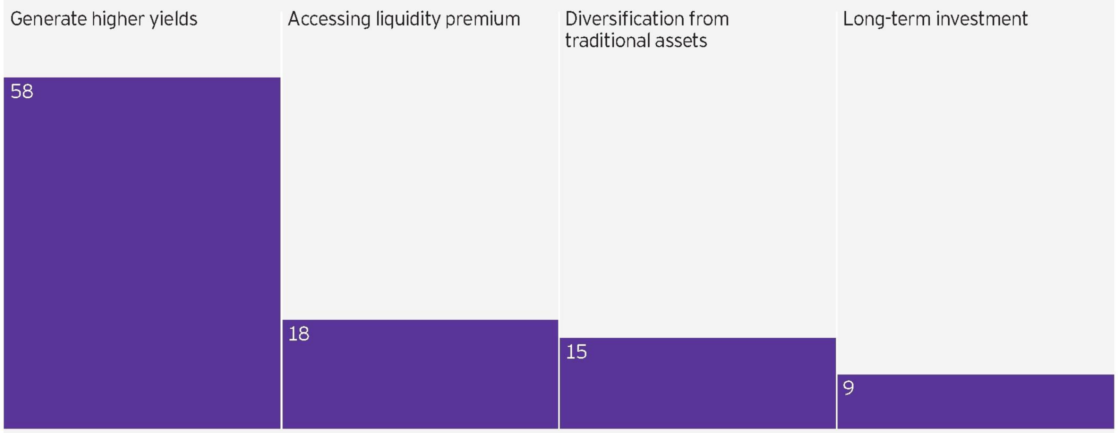
Sample is based on sovereign investors and excludes central banks.
Sample=28.

Fig 17. Allocations to international and home market real estate (% AUM)



Sample is based on sovereign investors and excludes central banks. Data is not weighted by AUM.
Sample: 2015=44, 2016=57, 2017=62.

Fig 18. Primary factor driving real estate investment (% citations)



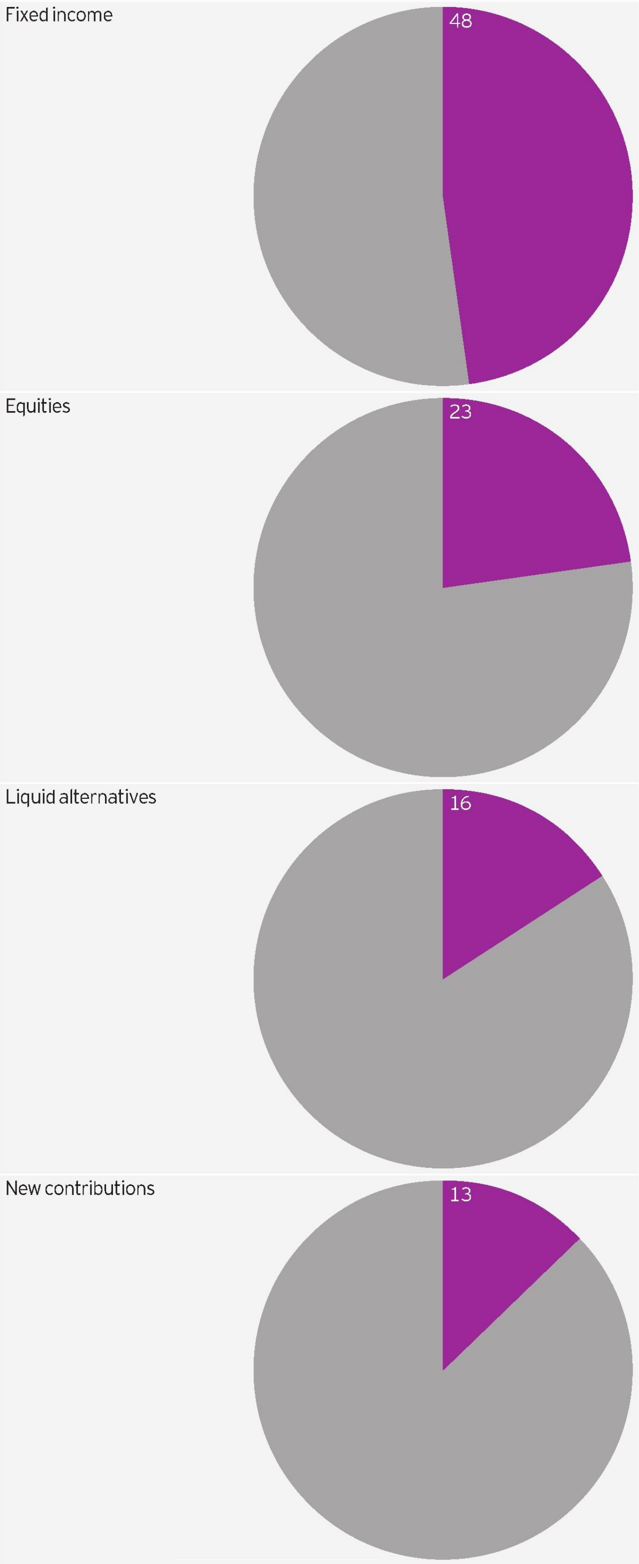
Sample is based on sovereign investors and excludes central banks.
Sample=33.

Property allocations are concentrated in 'home market' to match liabilities

While real estate allocations account for a small portion of sovereign portfolios, there has been significant relative growth in allocations, particularly in sovereign home markets (figure 17).

Home market real estate is attractive for liability and investment sovereigns, as there is no need to hedge currency exposure, as outlined in theme 2. The increase in home market allocations is mirrored in sovereign appetite for income-generating real estate assets (with yield generation the lead factor for increased allocations shown in figure 18), matching home currency-denominated liabilities at higher yields than domestic fixed income. Consequently, the tilt to real estate in home markets is substantially funded from lower allocations to fixed income (figure 19). Home market allocations also benefited from the trend to internalisation of real asset management. With limited capability to source and manage real estate globally, sovereigns noted that internal investment teams focused more on the local market, particularly in respect of greenfield or residential investments. Domestic real estate investment was greatest among Western and Asian sovereigns (4.9% and 3.1% of assets respectively), due to the depth of high-quality domestic real estate markets. Home markets were viewed as more familiar and accessible; there was a view that proximity facilitated oversight and control, which in turn afforded greater comfort in higher risk categories. Many respondents were also more confident in their ability to pitch for real estate deals locally, given the positive reputation of sovereign investors.

Fig 19. Primary source of funds for new real estate investments (% citations)



Sample is based on sovereign investors and excludes central banks.
Sample=31.

International real estate focused on key markets with potential for long-term investment
International real estate allocations also grew in the period to 2016, though at a lower rate than home market. Sovereigns reported that increased international allocations in many cases represented tactical factors such as restrictions in domestic market or challenges achieving target allocations in infrastructure or private equity.

As a result, increases in international allocations were relatively concentrated in terms of asset quality (tier-1 assets offering a comparable return profile of private equity and infrastructure). This has led sovereigns to expect greater growth in high grade office and commercial real estate (figure 20), with long-term tenancies underpinning income generation, over industrial or residential categories which offer asset growth and development potential.

The importance of quality to international real estate allocations is also evident in geographic allocations. Sovereigns prefer 'safe haven' markets such as North America and Western Europe when investing in overseas real estate, with developed markets leading sovereign citations for preferred real estate locations shown in figure 21.

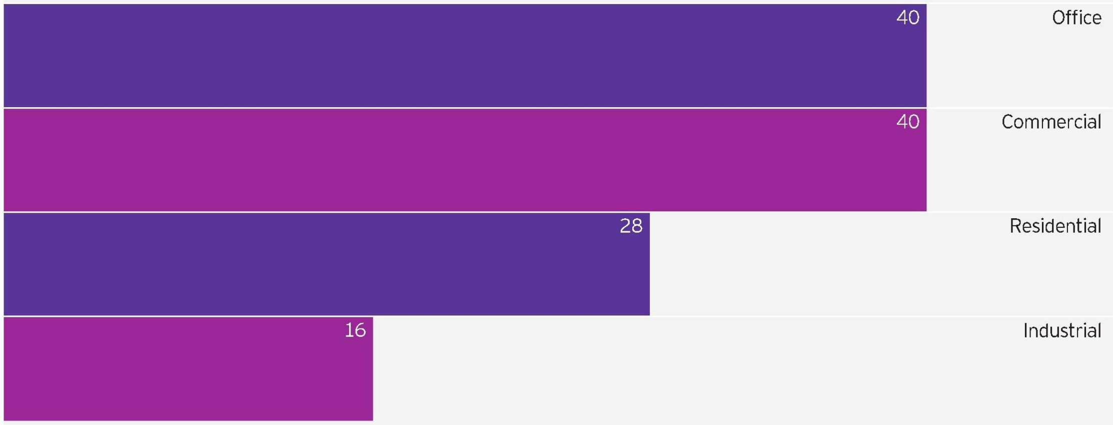
Sovereigns acknowledged the benefits of external asset managers, particularly for international allocations
The success of domestic real estate investments in matching liabilities and the scope to capture liquidity alpha through internal models is reflected in the pace of home market allocations over the past three years. However, looking forward sovereigns appreciate that further increases may be constrained by asset allocation or the maturity and depth of the local market. Many sovereigns also noted that there were risks associated with further internal investment in home market real estate:

- Despite a focus on high-quality assets, liquidity is a challenge for real estate investors and many sovereigns are approaching limits on the size of their investments
- Growing internalisation leaves sovereigns without third-party support in governance and compliance for their real estate investments
- If interest rates rise, demand for real estate is expected to slow, with implications for both asset pricing and liquidity

However, on the assumption that interest rates globally remain lower near-term, we expect that sovereign demand for real estate will grow faster than sovereigns are willing or able to deploy to home markets. As a result, we expect that over the next three years allocations to international markets will grow, and diversification outside preferred geographies and classes will accelerate. Despite success in greenfield investing in their home market, sovereigns are less able to influence supply of real estate opportunities overseas, providing an opportunity for external asset managers to support sovereigns in sourcing and managing real estate deals.

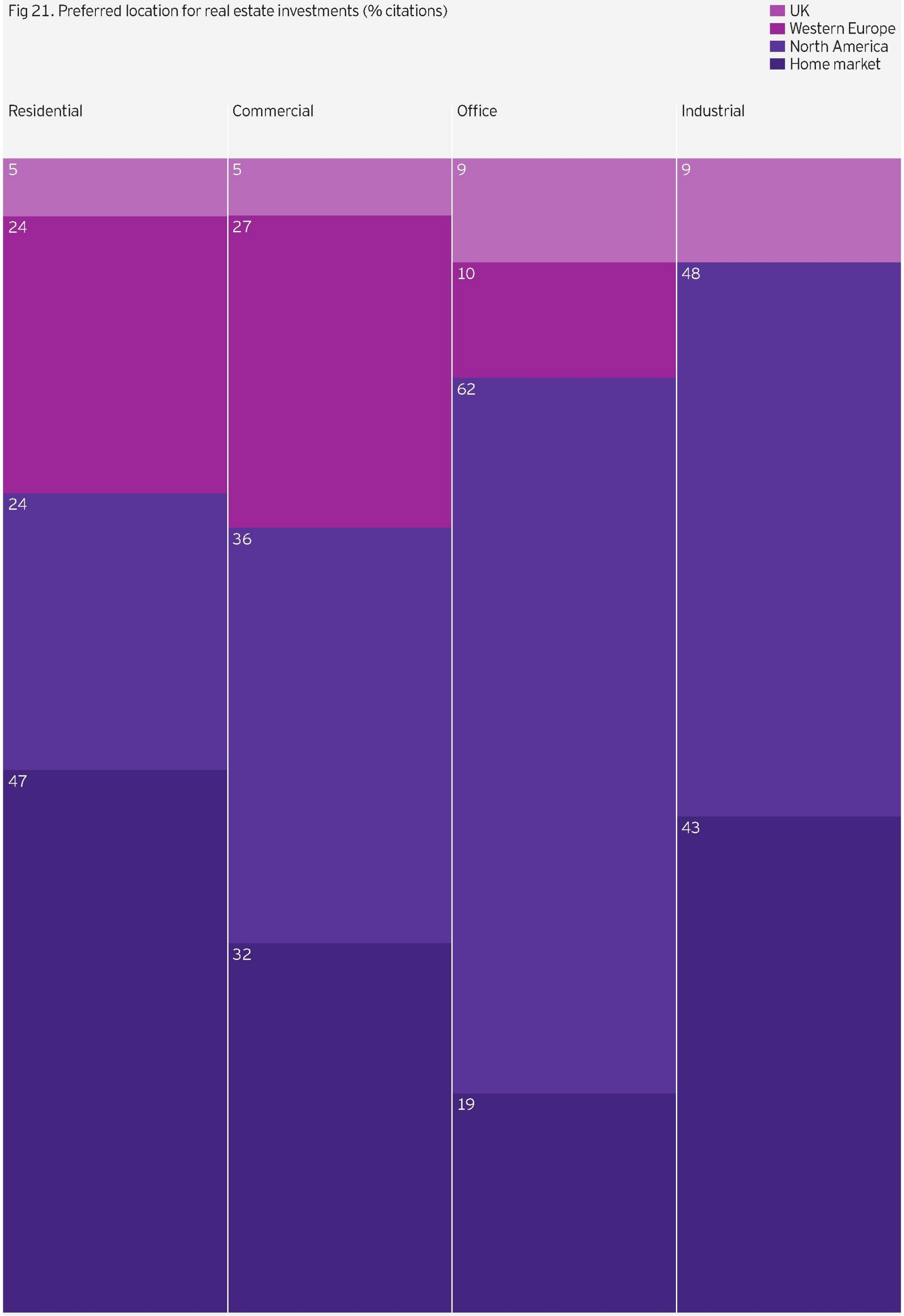
Developed market sovereigns have access to a wide range of high-quality domestic real estate assets.

Fig 20. Future increase in real estate sub-asset class allocations (% citations)

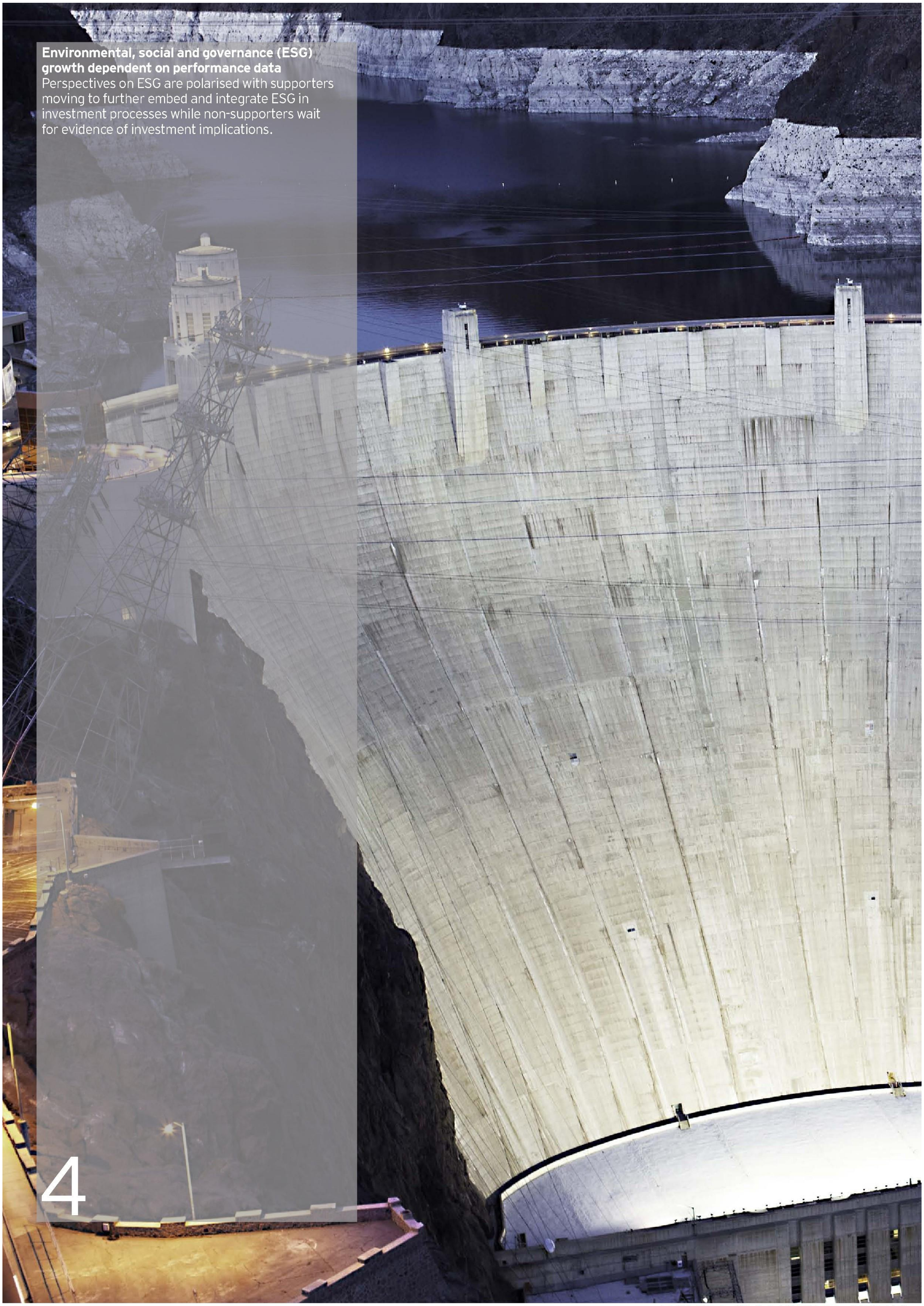


Sample is based on sovereign investors and excludes central banks.
Sample=25.

Fig 21. Preferred location for real estate investments (% citations)



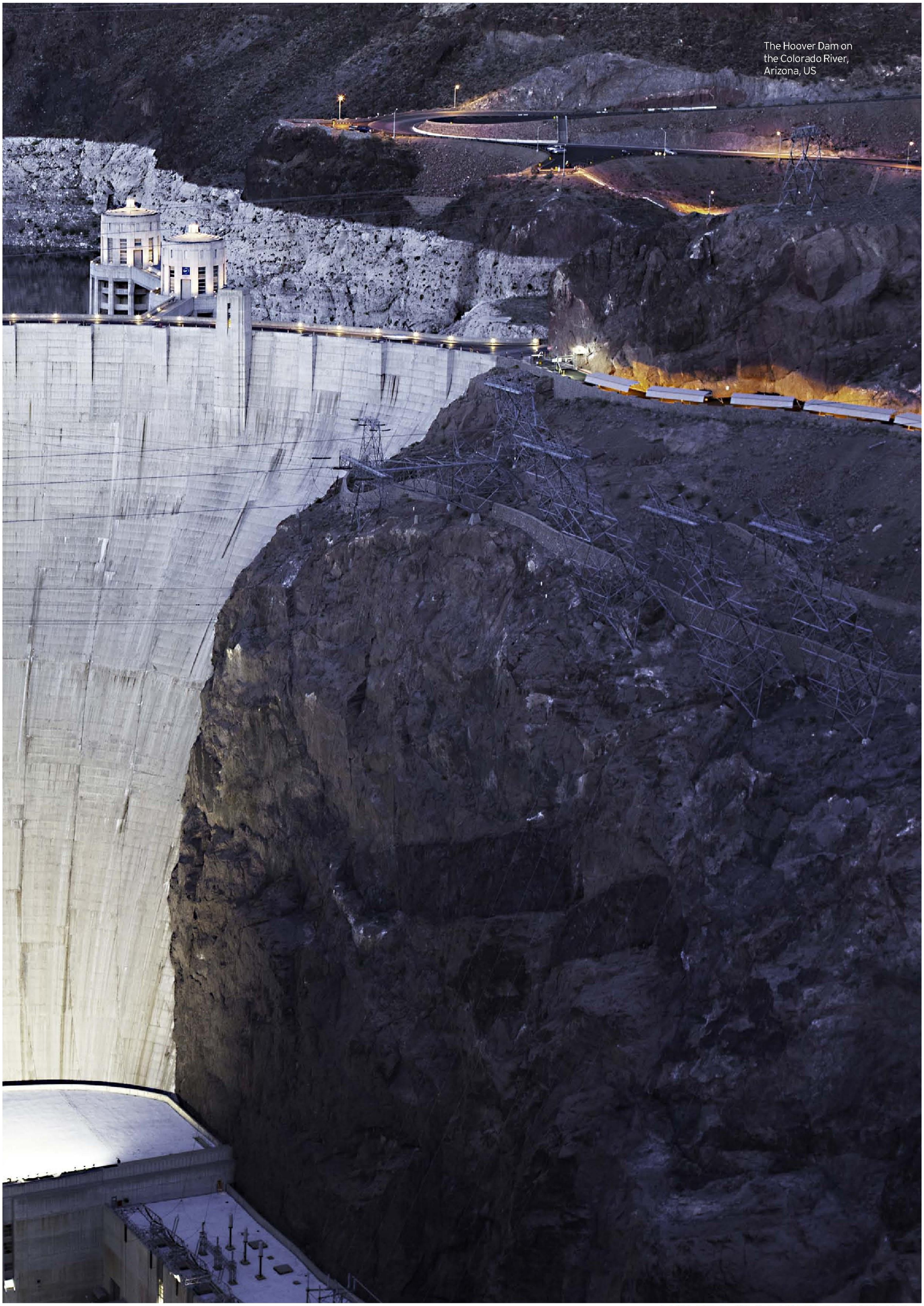
Sample is based on sovereign investors and excludes central banks.
Sample=22.



4

Environmental, social and governance (ESG) growth dependent on performance data

Perspectives on ESG are polarised with supporters moving to further embed and integrate ESG in investment processes while non-supporters wait for evidence of investment implications.



The Hoover Dam on the Colorado River, Arizona, US

In the absence of long-term risk and performance data, the role of ESG is unclear for many sovereigns
Environmental, social and governance (ESG) investing looks to incorporate ethics and sustainability into the investment process. Sovereigns are well placed to implement ESG strategies (or component sub-strategies) due to their scale, reach, size and long-term orientation. In addition, many investment and liability sovereigns have a clear basis to consider sustainability factors in delivering their objectives, given their own mandates and through their growing internal management capability.

However, contrary to early expectations, uptake of ESG practices appears to be less broad than initially anticipated. On the one hand, established sovereigns across Europe, Canada and Australia have been pivotal to the evolution of ESG investing among institutional investors. Many of these sovereigns were crucial in the development of sovereign investment strategies over past decades, and continue to have high levels of influence over sovereign models globally relative to their size. Against this, funds in the US and emerging markets have been reluctant to commit to ESG (figure 22) in the absence of objective data on the investment risk/return trade-offs implicit in these strategies.

While uptake of ESG has not increased in line with historical expectations, there is a clear appetite for perspectives and analysis from adopters, asset managers and academics. In fact, among institutional investors globally ESG is cited as the most important area for thought leadership (NMG's Global Asset Management Study 2017), highlighting investor demand for greater understanding.

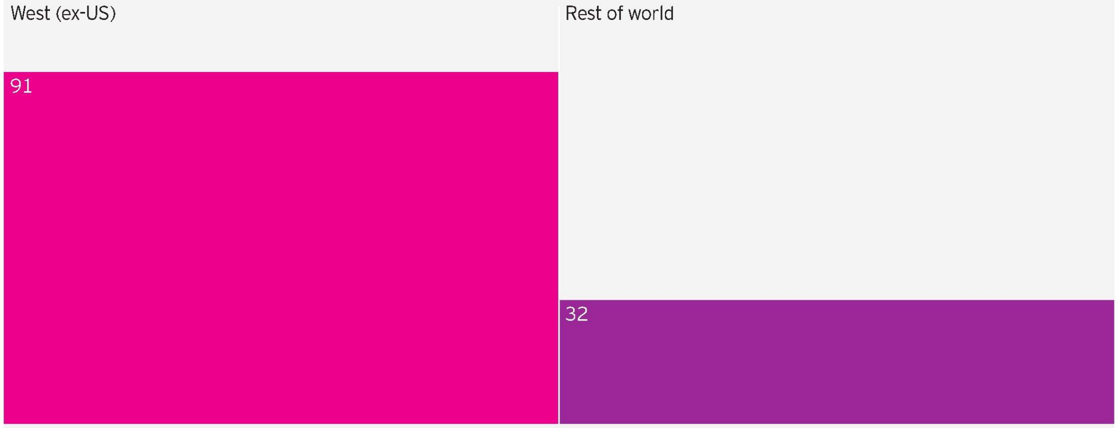
Qualified support for 'environmental' and 'social' screens given reputational risks of non-adoption, however further commitment depends on emerging evidence of investment implications
For sovereigns looking to adopt ESG investing, the most common step is to introduce negative screens on managers and securities which fall below ethical standards (figure 23). This process lends itself to environmental and social factors, given growing levels of disclosure of carbon footprint and employee diversity within public markets. Indeed, environmental factors are among the ESG issues of greatest importance to sovereigns shown in figure 24.

Certain sovereigns noted that negative environmental and social screens can be simply inserted into the investment process as an extra step within security selection, with minimal additional costs of management and expertise. Respondents also stated that the measurement of the investment impact of negative screens was simple, as the social investment strategy was most often constructed from a fully inclusive benchmark.

Despite some non-users citing analysis showing the negative effect of ESG screening strategies on short-term returns, there was a sense among interviewees that greater levels of disclosure increased reputational risk of non-adoption relative to high-profile ESG adopters.

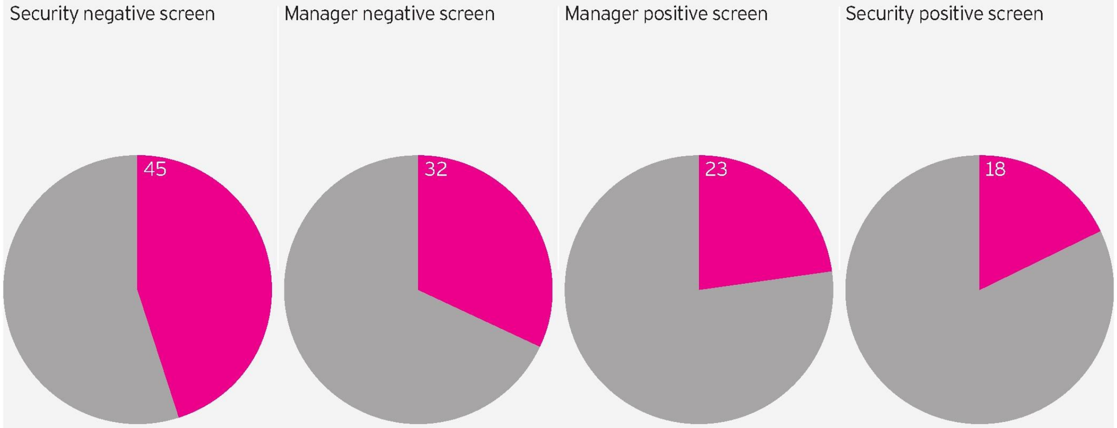
ESG adoption has been driven by established sovereigns across Europe, Canada and Australia.

Fig 22. Sovereign adoption of ESG factors (% citations)



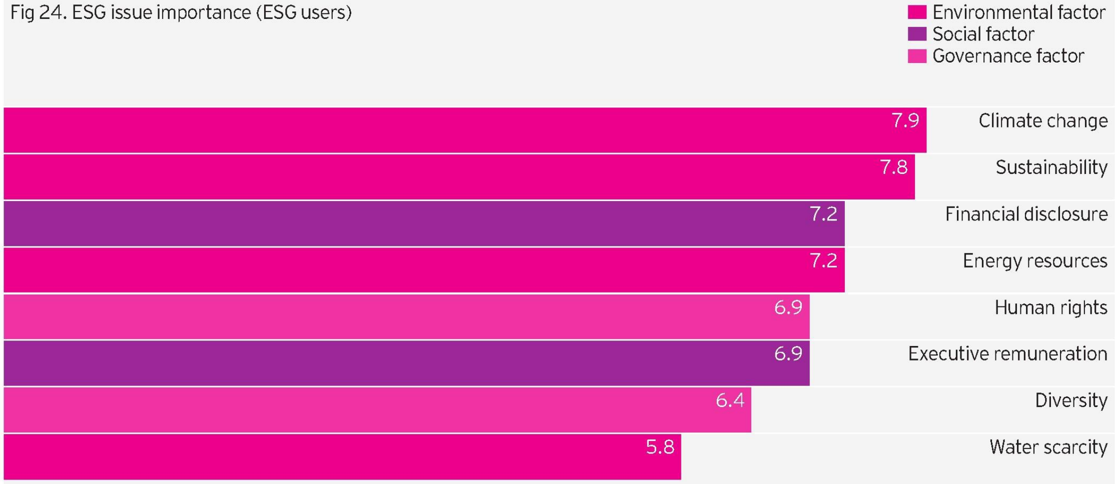
Sample is based on sovereign investors and excludes central banks.
Sample: West (ex-US)=11, Rest of world=44.

Fig 23. ESG screen usage (% citations, ESG users)



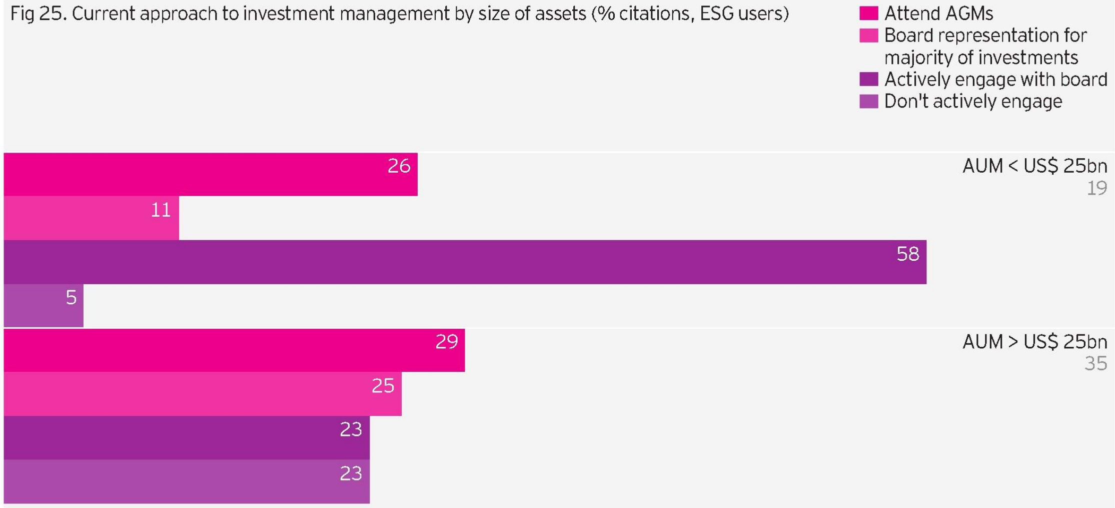
Sample is based on sovereign investors and excludes central banks. Multiple responses.
Sample=22.

Fig 24. ESG issue importance (ESG users)



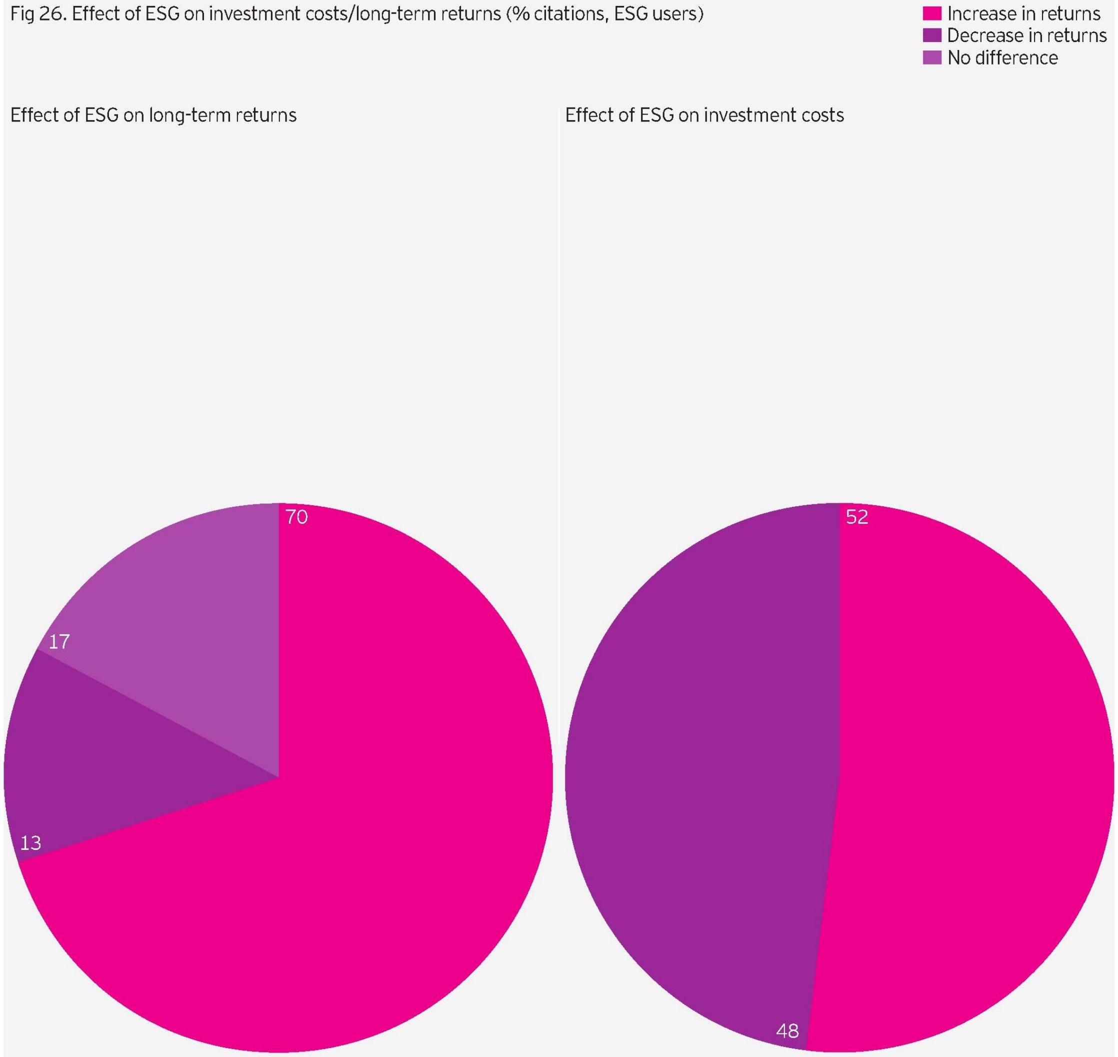
Sample is based on sovereign investors and excludes central banks. Rating on a scale from 1 to 10 where 10 is the most important. Rating scored as of Q1 of the given year.
Sample=22.

Fig 25. Current approach to investment management by size of assets (% citations, ESG users)



Sample is based on sovereign investors and excludes central banks. Sample sizes shown in grey.

Fig 26. Effect of ESG on investment costs/long-term returns (% citations, ESG users)



Sample is based on sovereign investors and excludes central banks.
Sample=25.

Leading adopters are embedding governance-based engagement, with an expectation of improved long-term returns

While non-adopters wait on the evidence of ESG investment outcomes, leading adopters are moving further down the path of integrating ESG principles into investment allocation and management decisions, including through active engagement with or participation in investee company decision-making. Larger sovereigns with internal asset management capability were most confident in their ability to execute their ESG strategies, due to their higher levels of engagement with their investments (figure 25). These larger sovereigns noted that direct engagement benefits substantially outweighed the cost of external advisers and representation; notably

- The largest sovereigns drew a clear line from long-term investor influence on corporate structure and executive remuneration to 'active' investment performance through the cycle
- Sovereigns felt able to better represent the interest of government or non-government stakeholders through direct engagement
- Finally, for sovereigns committed to ESG, direct governance engagement provided a mechanism to proactively drive an ESG agenda in future investment and management decision-making

Future uptake of ESG integration requires more performance data, while growth in active ownership requires third-party assistance

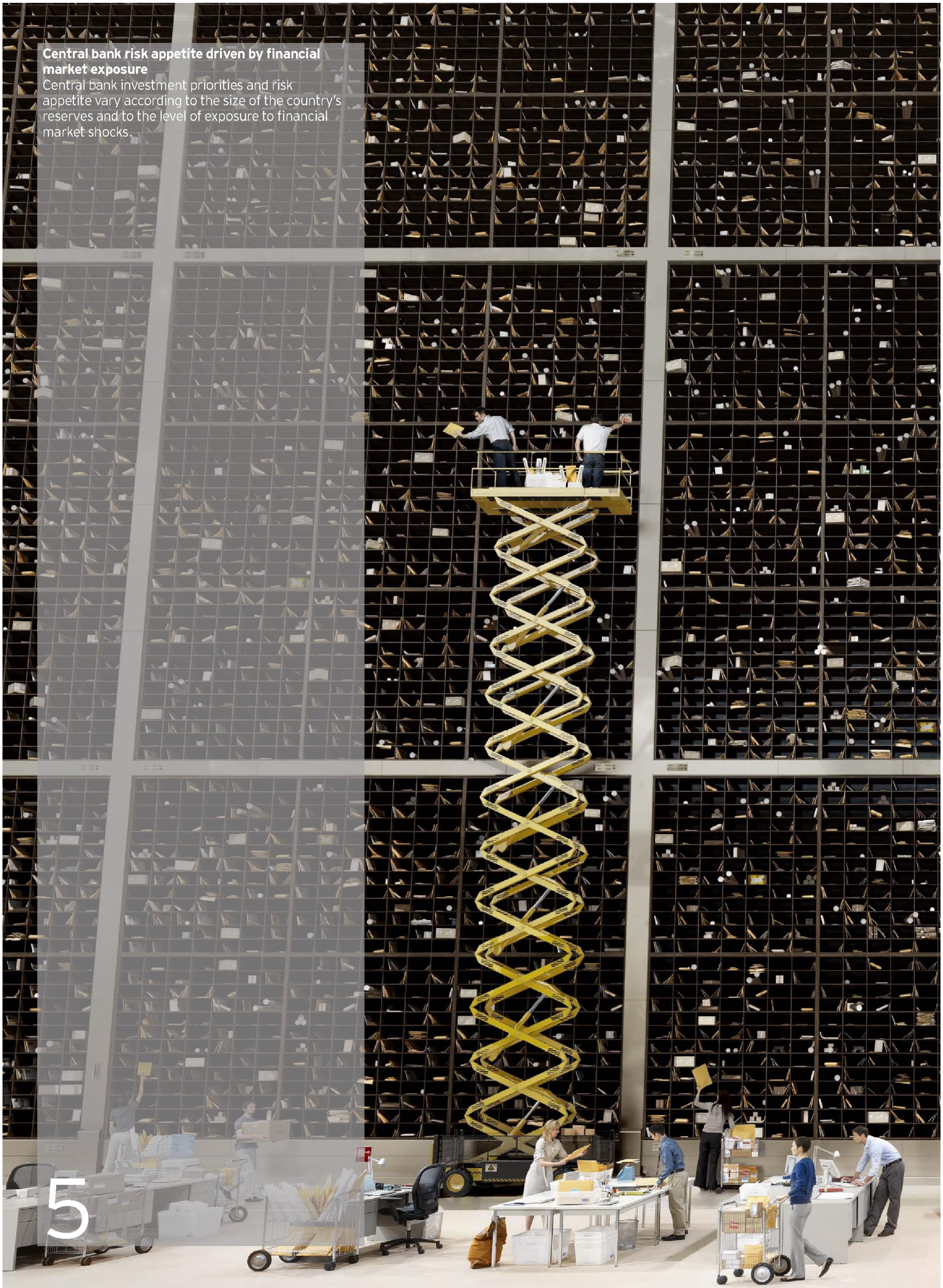
The adoption of negative screens is encouraging for ESG advocates; however, the majority of current non-adopters are unwilling to move further in the absence of strong objective evidence of positive investment risk/return outcomes from ESG investing relative to cost. ESG adopters overwhelmingly observe a positive differential in long-term returns (with 70% of respondents perceiving an increase in returns from ESG as seen in figure 26), and many adopters explained that they were seeking to integrate systematic ESG risk measurement into the investment process. However, ESG user and non-user respondents acknowledge that there is a need for robust data on integrated ESG strategies, which can only be addressed through continued measurement of the impact on performance.

Despite uncertainties around the impact of ESG integration, there is a growing consensus among all respondents on the positive effect of governance on investment returns. However, there are many challenges to developing and managing an active ownership strategy:

- Many sovereigns have not defined their governance principles and were wary of demanding levels of transparency from their investees that the sovereign fund itself did not provide
- The adoption of active ownership requires hiring subject matter experts, and many investment sovereign respondents were intent on using recruitment budget to expand internal investment teams
- Certain sovereigns did not hold shareholder voting rights across the majority of their securities and were wary of the costs involved in switching these investments for those with voting rights
- Many respondents stated that they were challenged by lack of engagement from consultants and asset managers

While smaller sovereigns have been dissuaded from investment engagement by these cost restraints, evidence of benefits in returns and representation of sovereign interests will be key in driving greater uptake of sovereign active ownership. With some sovereigns looking internally to invest, based on the ability to embed government-based engagement, asset managers must respond by offering sovereigns the opportunity participate in the stewardship of companies by means of voting rights.

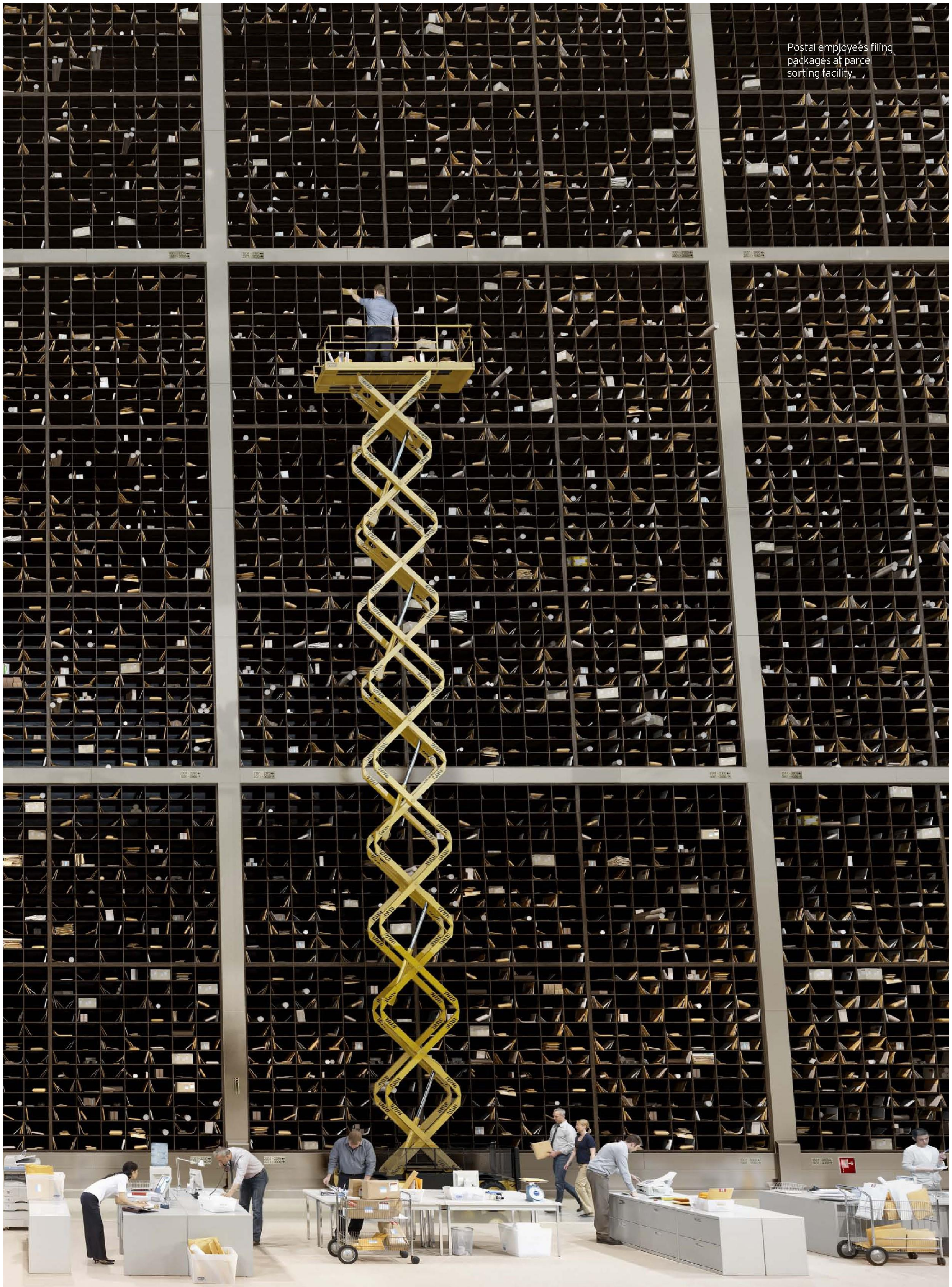
There is a need for robust data on the performance of integrated ESG strategies.



Central bank risk appetite driven by financial market exposure

Central bank investment priorities and risk appetite vary according to the size of the country's reserves and to the level of exposure to financial market shocks.

5



Postal employees filing packages at parcel sorting facility

While central bank investment tranches are in some ways comparable to sovereign portfolios, they are differentiated by the former's broader market functions
While there are similarities in the approach taken to investment tranches (in terms of risk asset allocation and development of internal capability), central banks have a broader set of functions, including local market money supply, the role of lender of last resort and currency exchange rate regime management. These factors have considerable influence over investment strategy and capacity, and differentiate central banks from sovereign investors.

In last year's report, we focused on emerging market (EM) central banks due to their increasing use of investment tranches (reserves sub-portfolios which prioritise investment return over liquidity), which have similar allocations to sovereign investor portfolios. We noted that many of the respondent banks were moving up the risk spectrum in response to achieving capital preservation in the face of low and negative yields, and that reserve managers were allocating higher levels of reserves to the investment tranche. We explore how central banks in developed markets with low financial market exposure have followed emerging market reserve managers up the risk spectrum.

Low banking sector exposure is accompanied by lesser build-up in the levels of reserves and a growing appetite for risk assets
In this year's report, we have expanded our central bank sample and segmented the central bank universe into developed and emerging markets to understand differences in strategy and pace of change with respect to investment tranches. Within developed market central banks, we further segmented them into two categories: those with high exposure to financial markets (DM High FME) and those with low exposure (DM Low FME[1]). We summarise these classifications in figure 27.

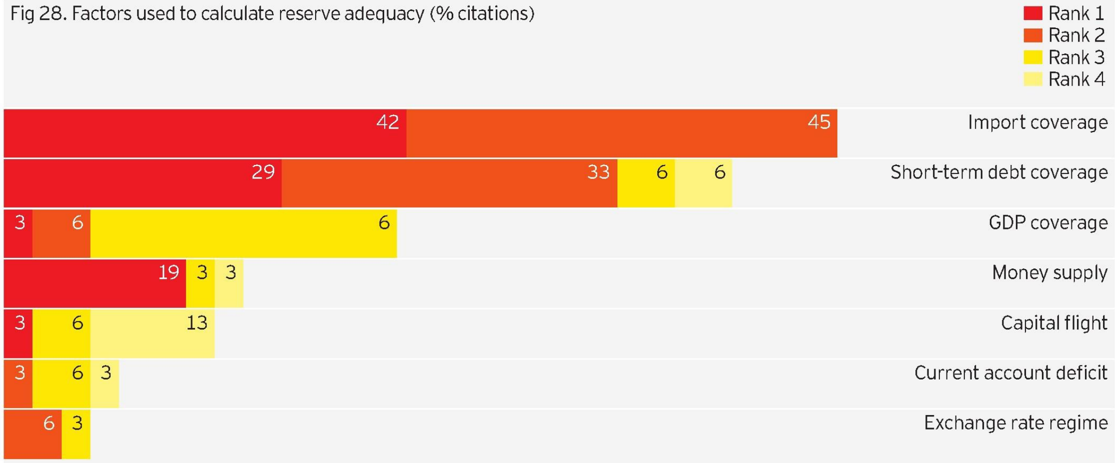
While there are various means of calculating reserves adequacy (with import coverage and short-term debt coverage most frequently cited in figure 28), all measures link level of reserves to potential drawdown of funds. Following the Global Financial Crisis of 2008, DM High FME central banks increased estimates of the likelihood and size of potential drawdowns, increasing the level of reserves over the intervening years to better equip themselves as 'lenders of last resort'. In 2016, this trend continued with DM High FME central banks increasing reserves more rapidly than DM Low FME and EM (figure 29). DM High FME reserve managers rely on these large net inflows to maintain high levels of liquidity (with 67% of respondents describing reserves as 'ample' in figure 30), and focus less on capital preservation and investment returns. Furthermore, reserve managers in High FME markets noted that they are unwilling to invest in risk assets such as equities or asset-backed securities as they are seeking to diversify (not correlate) their reserves from local financial market shocks.

[1] Measure of financial exposure based on World Bank Global Financial Development – Private credit by deposit money banks and other financial institutions to GDP (%), 24 June 2016.

Fig 27. Central bank segmentation

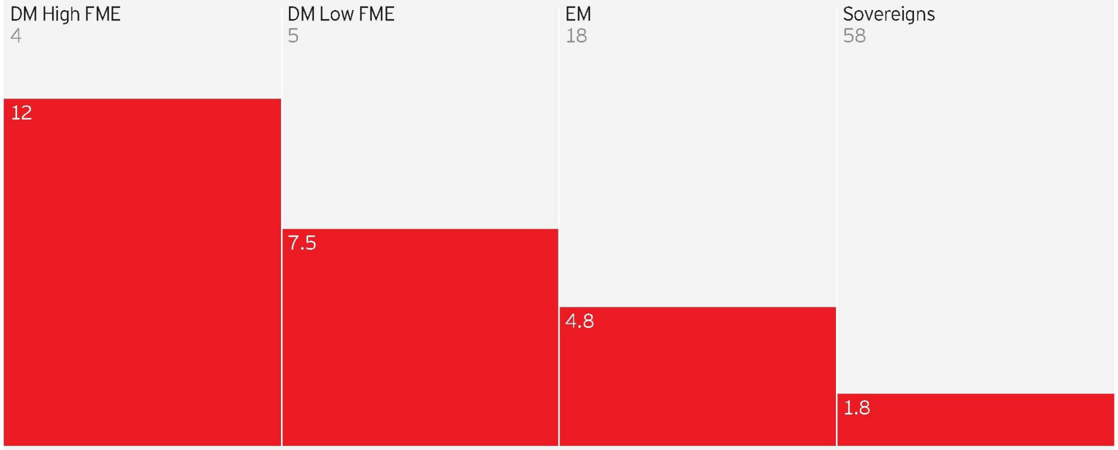
	High financial market dependency (DM High FME)	Low financial market dependency (DM Low FME)	Emerging markets (EM)
Market economic maturity	High	High	Medium
Financial market/GDP (%)	High	Medium/Low	Medium/Low
Foreign reserves new flows	High	Medium	Low
Reserves adequacy	High	High/Medium	Medium
Foreign reserves risk appetite	Low	Medium	High

Fig 28. Factors used to calculate reserve adequacy (% citations)



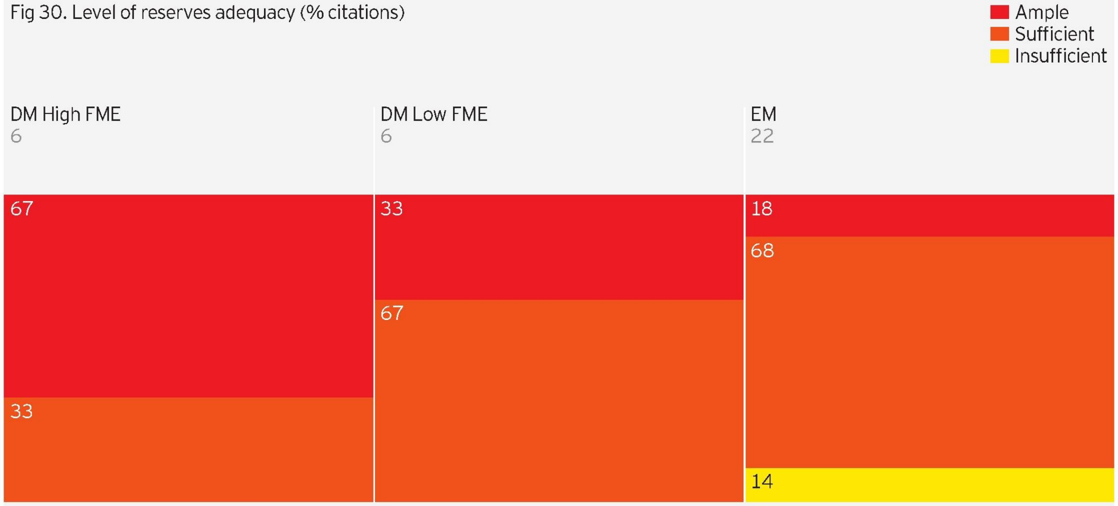
Sample comprises of central banks only. Key denotes each factors' level of importance according to central banks. Rankings split into four categories in descending order with rank 1=most important. Rating scored as of Q1 of the given year.
Sample=31.

Fig 29. Net increase in foreign currency reserves (% AUM)



Sample size shown in grey. DM High FME=High financial market dependency. DM Low FME=Low financial market dependency.

Fig 30. Level of reserves adequacy (% citations)

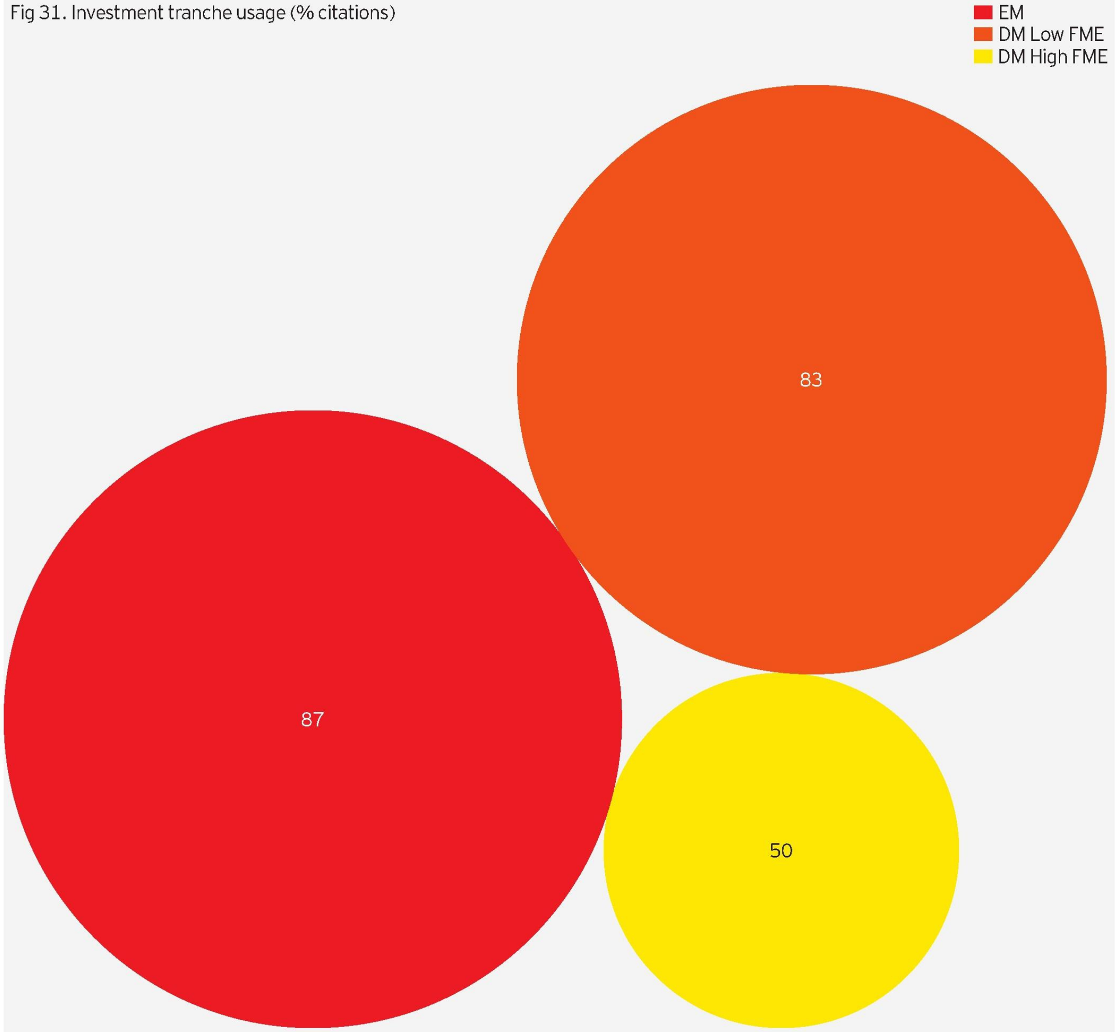


Sample comprises of central banks only. Sample size shown in grey.

Due to the lower capitalisation of local stock and bond markets, economic performance in DM Low FME countries is relatively less vulnerable to financial shocks than in DM High FME markets, giving Low FME central banks greater freedom to invest in higher risk asset classes. Furthermore, whereas most High FME central banks self-assess 'ample' reserves adequacy, the majority of Low FME central bank respondents describe reserve levels as 'sufficient', and are therefore more likely to seek higher returns through the investment tranche to improve their long-term reserves adequacy position (figure 31).

Typically, emerging market central banks have the lowest levels of reserves adequacy due in large part to greater vulnerability to foreign shocks. Indeed, certain emerging market central banks with a currency peg noted that falling commodity prices had created pressure on the local currency, causing a drawdown of foreign reserves to maintain the peg. Countries with more flexible exchange rate arrangements are instead seeking greater exposure to risk asset classes to generate positive returns to preserve capital and maintain reserves adequacy.

Fig 31. Investment tranche usage (% citations)



Sample comprises of central banks only.
Sample: DM High FME=6, DM Low FME=6 and EM=22. Note low sample.
DM High FME=High financial market dependency. DM Low FME=Low financial market dependency.

Emerging market central banks have pioneered investment tranches to generate greater returns and developed markets are exploring their ability to follow suit

In last year's report we identified that emerging market reserve managers were developing an investment tranche, to diversify away from low-yielding government bonds and generate better risk adjusted returns. This year, low interest rates again led EM central banks to increase the level of the investment tranche and invest in riskier asset classes, targeting higher returns over time to support future reserves adequacy. Additionally, certain emerging market central banks had recently relaxed fixed or managed exchange rate regimes, allowing for greater freedom to allocate reserves to the investment tranche.

As central banks (including DM Low FME) expand the size and risk asset exposure of the investment tranche, they also are assessing how to best manage risk, return and cost, particularly where higher levels of reserves and depth of internal resources support developing internal management expertise. Central banks have a range of resources available in making their assessments, including case studies and performance data from those EM central banks reaching the end of the first cycle of risk assessments, with many respondents indicating their willingness to share such information with peers. While we note the long timeline for the first generation of EM central banks to establish their investment tranches (an average of 22 months across our emerging market sample), the availability of peer support and information sharing has the potential to create a positive network effect supporting future implementations.

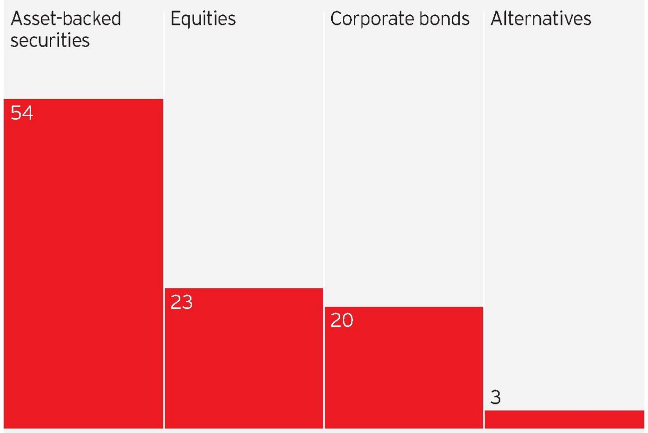
Central banks acknowledge the need for external support as they move out the risk spectrum to corporate bonds and equities

Typically, the development of the investment tranche starts with asset-backed securities (figure 32). The majority of central banks are comfortable managing investment grade government debt internally and perceive high grade asset-backed securities as comparable in terms of management requirements and risk profile.

However, reserve managers are moving up the risk curve, primarily seeking to increase allocations to equities and corporate bonds (figure 33). Many respondents acknowledged they do not yet have the necessary internal governance process or risk management capability to manage these investments internally. Respondents also noted that while reserves management peers were able to assist them in planning the development of the investment tranche, their support often lacked technical detail on investment governance and asset management infrastructure.

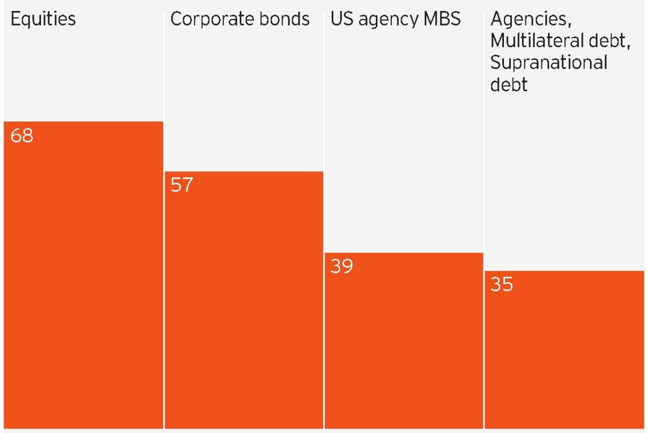
Emerging markets have led the development of the investment tranche due to the relative importance of capital preservation.

Fig 32. First investment tranche asset class (% citations)



Sample comprises of central banks only.
Sample=30.

Fig 33. Investment tranche asset class future increase (% citations)



Sample comprises of central banks only.
Sample=30.

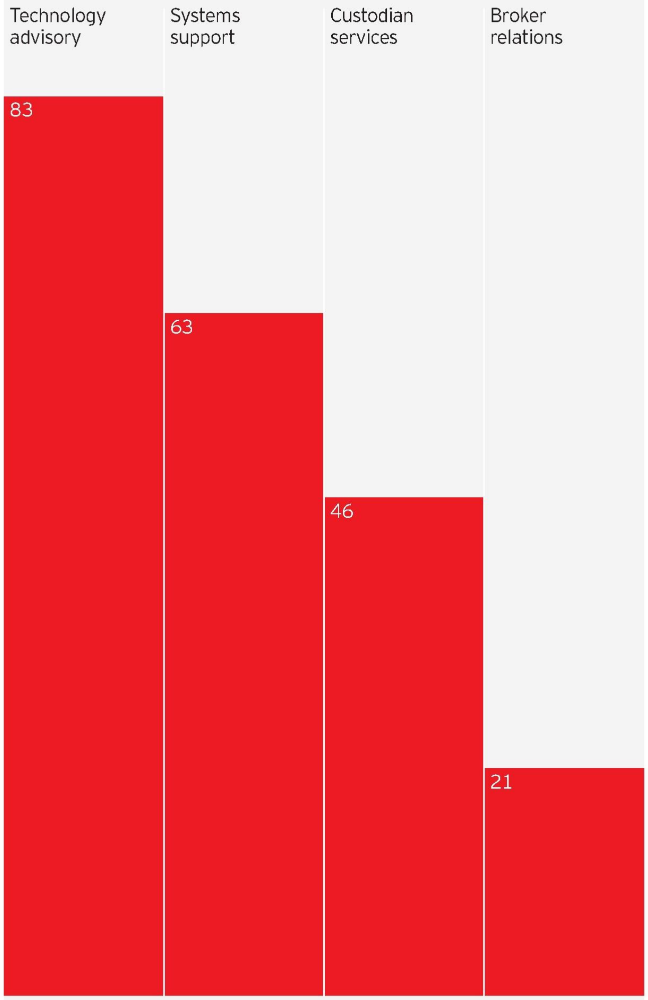
Central banks are seeking external assistance in building internal capability as well as for investment strategy and execution

Central bank decisions on the allocation and risk profile of the investment tranche allocations are generally made internally. Reserves managers are seeking wider assistance in building internal investment frameworks to support their growing appetite for risk asset exposure, whether through asset management mandates or collaboration with academic and multi-lateral institutions such as the World Bank. Central banks will continue to look to external managers for their technical advisory and systems support (figure 34), as sovereigns have done over many years.

While 87% of central bank respondents use an asset manager within their entire reserves portfolio, there is less usage when building the first investment tranche (figure 35). This reflects a bias to first develop internal capacity before outsourcing to external asset managers for alpha generation and expansion into new asset classes. Central banks are reluctant to convert relationships into ongoing mandates until they have developed the capacity to oversee the risks incurred by external asset managers. Those that elect to allocate assets to external managers include requirements to continue supporting central banks in developing their own internal management capability. External managers must be patient and offer real value through transfer of experience, processes and technology, and must then have a sufficiently compelling value proposition to sustain a long-term commercial relationship.

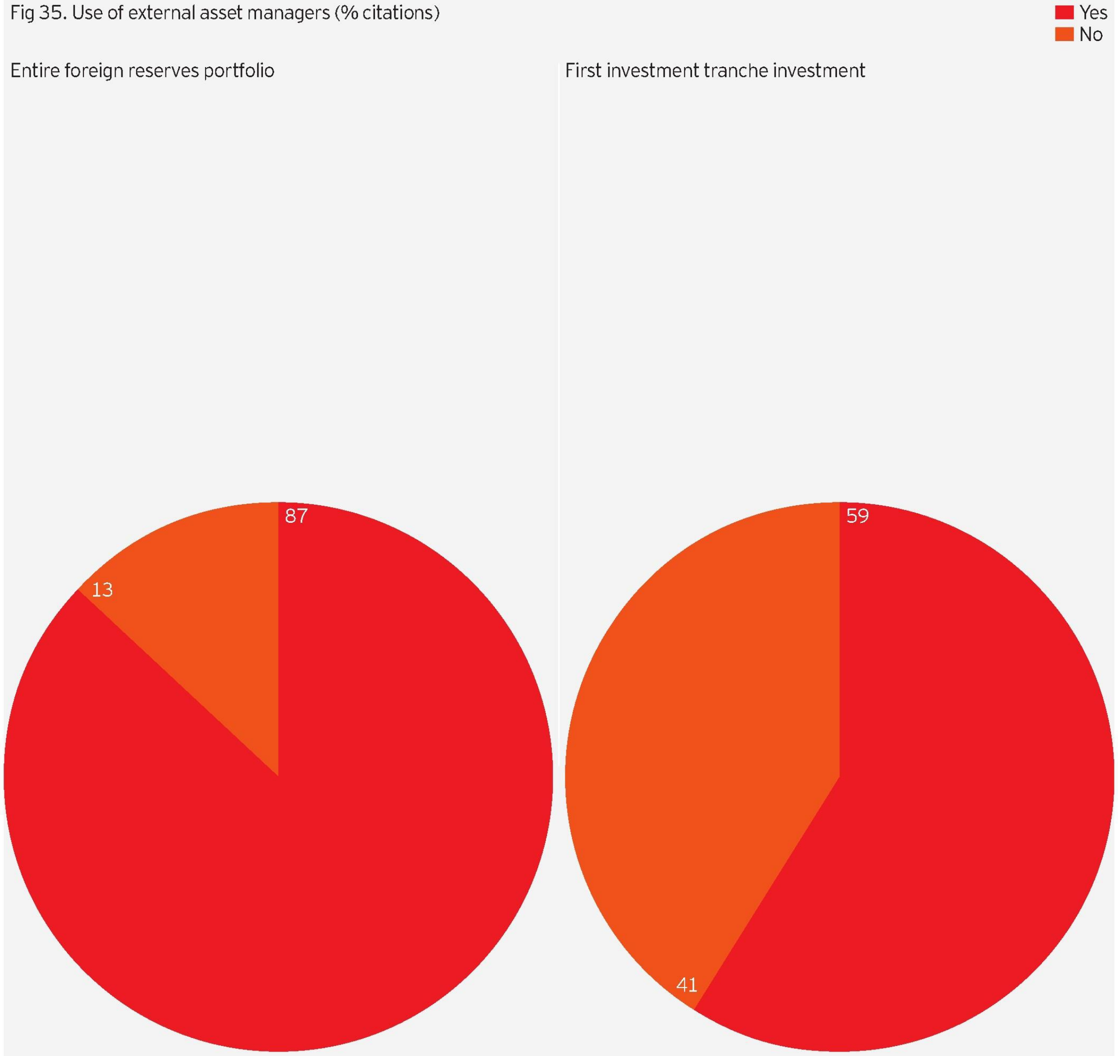
Reserves managers are seeking assistance in building internal investment frameworks to support growing risk appetite.

Fig 34. Future asset manager support requirements (% citations, current users of external managers)



Sample comprises of central banks who use external managers to manage assets. Sample=24.

Fig 35. Use of external asset managers (% citations)



Samples comprise of central banks only.
LHS Sample=27. RHS Sample=31.

Appendix

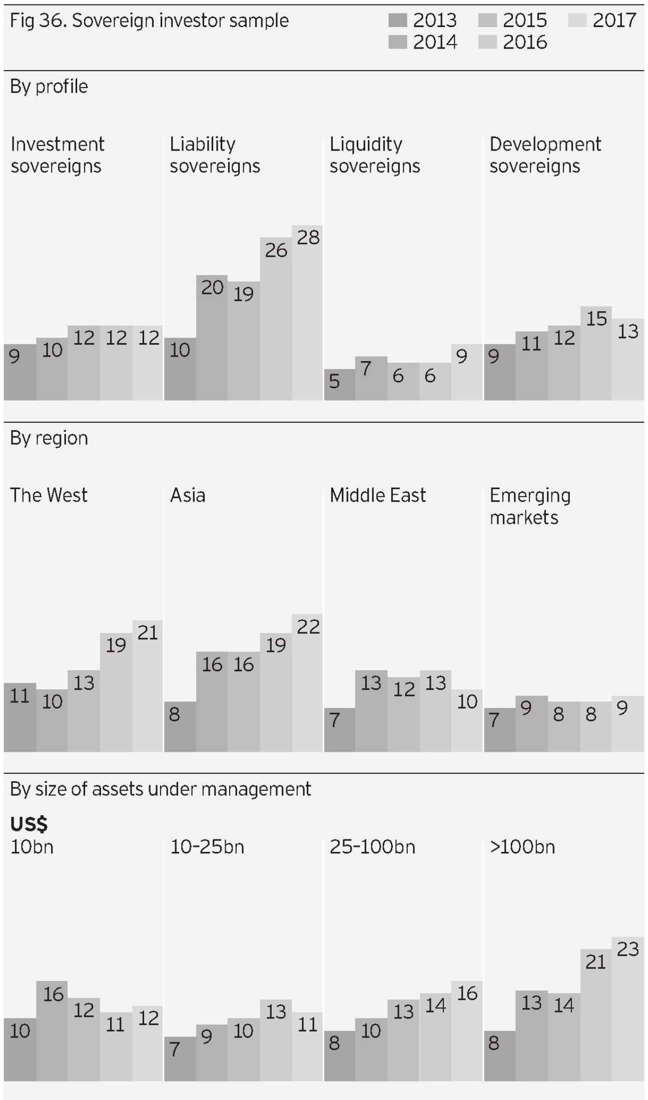
Pixel Cloud installation in the atrium of an office building, London

Sample and methodology
The fieldwork for this study was conducted by NMG's strategy consulting practice. Invesco chose to engage a specialist independent firm to ensure high-quality objective results. Key components of the methodology included:

- A focus on the key decision makers within sovereign investors and central banks, conducting interviews using experienced consultants and offering market insights rather than financial incentives
- In-depth (typically one-hour) face-to-face interviews using a structured questionnaire to ensure quantitative as well as qualitative analytics were collected
- Analysis capturing investment preferences as well as actual investment allocations with a bias toward actual allocations over stated preferences
- Results interpreted by NMG's strategy team with relevant consulting experience in the global asset management sector

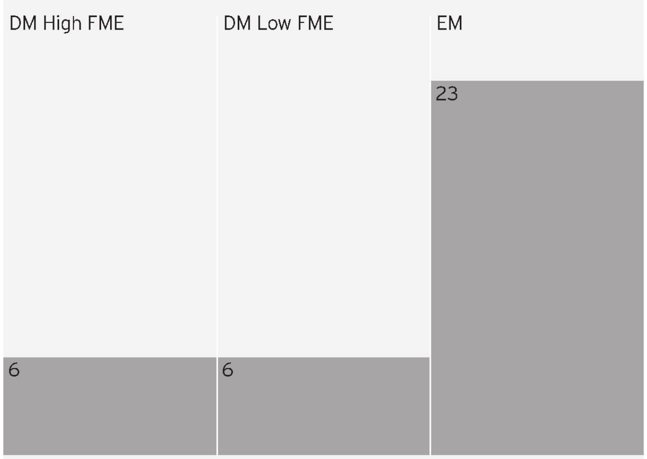
In 2017 we conducted interviews with 97 funds: 62 sovereign investors (compared to 59 in 2016) and 35 central bank reserve managers (18 in 2016). The 2017 sovereign investor sample is split into three core segmentation parameters (sovereign investor profile, region and size of assets under management) in figures 36 to 38. The 2017 central bank sample is broken down by segment in figure 39.

Fig 36. Sovereign investor sample



Sample=62.

Fig 37. Central bank sample by segment



Sample=35.

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"SURVIVING THE CENTURY'

The inaugural Carl Sagan Memorial Lecture
Cornell University, 8 May 2017

It's a great honour to give this Carl Sagan lecture. The ideas he stood for need proclaiming louder than ever today. We need an optimistic vision of life's destiny --- in this world, and perhaps far beyond it. We need to think globally, we need to think rationally, we need to think long-term. Carl's influence was immense, through his science and – most of all, through his eloquence and global outreach.
In this talk I'll try to address some themes that would have engaged him..

We've been familiar with this image [Earthrise] for nearly 50 years –it's iconic for environmentalists. .

But suppose some hypothetical aliens had been watching the Earth for its entire history, what would they have seen? Over nearly all that immense time, 4.5 billion years, things would have changed very gradually. The continents drifted; the ice cover waxed and waned; successive species emerged, evolved and became extinct.

But in just a tiny sliver of Earth's history - the last one millionth part, a few thousand years - the patterns of vegetation altered much faster than before. This signalled the start of agriculture. Changes in land-use accelerated as human populations rose.

Then came even faster changes. The carbon dioxide in the atmosphere began to rise anomalously fast. The planet became an intense emitter of radio waves. And something else unprecedented happened: small projectiles launched from the planet's surface escaped the biosphere completely. Some were propelled into orbits around the Earth; some journeyed to the Moon and planets.

If they understood astrophysics, the aliens could confidently predict that our biosphere would face doom in a few billion years when the Sun flares up and dies. But could they have predicted this unprecedented runaway fever -- less than half way through the Earth's life?

And what might they see if they watched for another century? Will this spasm be followed by silence? Or will stability ensue? And will more projectiles leave the Earth to establish oases of life elsewhere?

These are the questions I'll speculate about

Some years ago I wrote a book which I entitled 'Our Final Century ?' My publisher deleted the question-mark. The American publishers changed the title to 'Our Final

Hour'. (you Americans seek instant gratification – and the converse).

Its theme was that this century is special: it's the first when one species, ours, has the planet's future in its hands. We're deep in an era that's called the anthropocene. We have huge powers for good. We could trigger the transition from biological to electronic intelligences. But, on the other hand, we could irreversibly degrade the biosphere, And advanced technology, if misdirected, could cause a devastating setback to civilization.

We've had one lucky escape already.

At any time in the Cold War era -- when armament levels escalated beyond all reason --- the superpowers could have stumbled towards armageddon through muddle and miscalculation. The threat is only in abeyance and still looms over us.

Nuclear weapons are based on 20th century science. I'll focus later in my talk on 21st century sciences -- bio, cyber, and AI – which offer huge potential benefits but also expose us to novel vulnerabilities

Astronomers often have to remind people that they're not astrologers. Like all scientists they hava a rotten record as forecasters – almost as bad as economists.

But even with a cloudy crystal ball there are some things we can predict about how our whole planet will change.

For instance, humanity's collective footprint is getting heavier,

Fifty years ago, world population was about 3 billion. It now exceeds 7 billion. The growth's been mainly in Asia and Africa, as shown in this map where regions are scaled in proportion to that growth.

The number of births per year, worldwide, peaked a few years ago and is going down, Nonetheless world population is forecast to rise to around 9 billion by 2050.

That's partly because most people in the developing world are young. They are yet to have children, and they will live longer.
The age histogram in the developing world will become more like it is in Europe.

The main growth is in East Asia , and it's there that the world's human and financial resources will become concentrated—ending 4 centuries of North Atlantic hegemony.

And there's more urbanization. Even by 2030 Lagos, San Paulo and Delhi will have populations above 30 million. To prevent megacities becoming turbulent dystopias will surely be a major challenge to governance.

Population growth seems currently under-discussed. That is maybe because doom-laden forecasts in the 1970s, by the Club of Rome, Paul Erlich and others, have proved off the mark. Up till now, food production has more than kept pace – famines stem from wars or mal-distribution, not overall shortage. And it's deemed by some a taboo subject -- tainted by association with eugenics in the 1920s and 30s, with Indian policies under Indira Gandhi, and more recently with China's hard-line one-child policy.

Can the Earth 'carry' 9 billion people? There seems no need for gloom or panic on this front... Improved agriculture – low-till, water-conserving, and perhaps involving GM crops could feed that number by mid-century. The buzz-phrase is 'sustainable intensification'.

But lifestyle changes are needed. The world couldn't sustain even its present population if everyone lived like Americans do today– using as much energy and eating as much beef.

Population trends beyond 2050 are harder to predict. They will depend on what people as yet unborn decide about the number and spacing of their children. Enhanced education and empowerment of women -- surely a benign priority in itself -- reduces fertility rates.

But the demographic transition hasn't reached parts of India and Sub-Saharan Africa. If families in Africa remain large,, then according to the UN that continent's population could double again by 2100, to 4 billion, thereby raising the global population to 11 billion. Nigeria alone would by then have as big a population as Europe and North America combined, and almost half of all the world's children would be in Africa.

Optimists remind us that each extra mouth brings also two hands and a brain. Nonetheless the higher the population becomes, the greater will be all pressures on resources, especially if the developing world narrows its gap with the developed world in its per capita consumption. So we must surely hope that the global figure declines rather than rises after 2050.

Moreover, if humanity's collective impact on nature pushes too hard against what Johan Rockstrom calls 'planetary boundaries', the resultant 'ecological shock' could irreversibly impoverish our biosphere. Extinction rates are rising – we're destroying the book of life before we've read it.

Biodiversity is a crucial component of long-term human wellbeing. We're clearly harmed if fish stocks dwindle to extinction; there are plants in the rain forest whose gene pool might be useful to us. But for many environmentalists , preserving the richness of our biosphere has value in its own right, over and above what it means to us humans To quote the great ecologist E O Wilson 'mass extinction is the sin that future generations will least forgive us for'.

CLIMATE CHANGE

So the world's getting more crowded. And there's a second firm prediction: it will gradually get warmer. In contract to population issues, climate change is certainly not under-discussed – though it is under-acted-upon

The famous Keeling curve shows how the concentration of CO2 in the air is rising, mainly due to the burning of fossil fuels .

The fifth IPCC report presented temperature- projections, for different assumptions about future rates of fossil fuel use. For each such assumption there's a spread bevause it remains unclear how much the climatic effects of CO2 are amplified by associated changes in water vapour and clouds – the so-called sensitivity factor.

IPCC PROJECTIONS

But despite these uncertainties the science tells is that under 'business as usual' scenarios we can't rule out, by 2100, really catastrophic warming, and tipping points triggering long-term trends like the melting of Greenland's icecap.

Sadly, many deny this. But even among those who accept that this threat is real, there is a range of views. These stem from differences in economics and ethics -- in particular, in how much obligation we should feel towards future generations.

Bjorn Lomberg's Copenhagen Consensus, for instance applies commercial-style discounting -- and in effect writes off what happens beyond 2050. So, unsurprisingly he downplays the priority of addressing climate change in comparison with shorter-term efforts to help the world's poor.

But if you care about those who'll live into the 22st century and beyond, then, as economists like Stern and Weizman argue, you deem it worth paying an insurance premium now, to protect those generations against the worst-case scenarios.

Above all, it depends on an ethical issue – in optimizing people's life-chances, should we discriminate on grounds of date of birth?

(As a parenthesis, I'd note one policy context when an essentially zero discount rate is applied – radioactive waste disposal, where the depositories are required to prevent leakage for 10000 years – somewhat ironic when we can't plan the rest of energy policy even 30 years ahead)

[Consider this analogy. Suppose astronomers had tracked an asteroid, and calculated that it would hit the Earth in 2080, 65 years from now – not with certainty, but with (say) 10 percent probability. Would we relax, saying that it's a problem that can be set on one side for 50 years – people will then be richer, and it may turn out then that it's going to miss the Earth anyway? I don't think we would. There would surely be a consensus that we should start straight away and do our damnedest to find ways to deflect it, or mitigate its effects.]

Many still hope that our civilisation can segue smoothly towards a low-carbon future The pledges made at the Paris conference are a positive step. But even if they're honoured, this may not happen fast enough to prevent CO2 concentrations rising to dangerous levels.

Politicians seldom take a long-term view, and won't gain much resonance by advocating unwelcome lifestyle changes now – when the benefits accrue mainly to distant parts of the world, and are decades into the future.

But there's one measures to mitigate climate change that genuinely seems a 'win win' scenario.

CLEANER ENERGY SOURCES

It's that nations should accelerate R and D into all forms of low-carbon energy generation (renewables, , 4thth generation nuclear, fusion, and the rest) . And into other technologies where parallel progress is crucial – especially storage (batteries, compressed air, pumped storage, flywheels, etc) and smart grids. That' why an encouraging outcome of Paris was an initiative called 'Mission Innovation'. It was launched by President Obama and by the Indian Prime Minister Modi. And endorsed by 20 other nations. It's a campaign to double publicly funded R and D into clean energy by 2020. There's been a parallel pledge by Bill Gates and other private philanthropists.

This target is a modest one . Presently, only 2 percent of publicly funded R and D is devoted to these challenges. Why shouldn't the percentage be comparable to spending on medical or defence research?

The faster these 'clean' technologies advance, the sooner will their prices fall so they become affordable to developing countries – where more generating capacity will be needed -- where the health of the poorest billions is jeopardized by smoky stoves burning wood or dung -- and where there would otherwise be pressure to build coal-fired power stations.

RENEWABLES

It would be hard to think of a more inspiring challenge for young engineers than devising clean energy systems for the world.

But if this fails, and if it's clear, 20 years from now, that our climate seems heading irreversibly into dangerous territory, there may then be a pressure for 'panic measures'.

GEOENGINEERING

--- being fatalistic about continuing dependence on fossil fuels, but combating its effects by geoengineering.

GEOENGINEERING (PICTURE)

It's feasible, for instance, to inject enough aerosols into the stratosphere to cool the world's climate -- indeed what is scary is that this might be within the resources of a single nation, or even a single corporation. There could be unintended side- effects. Moreover, the warming would return with a vengeance if the countermeasures were ever discontinued; and other consequences of rising CO2 (especially the deleterious effects of ocean acidification) would be unchecked.

Geoengineering would be a political nightmare: not all nations would want to adjust the thermostat the same way. Very elaborate climatic modelling would be needed in order to calculate the regional impacts of an artificial intervention. (The only beneficiaries would be lawyers. They'd have a bonanza if nations could litigate over bad weather!).

It may be prudent to explore geoengineering techniques enough to clarify which options make sense, and perhaps damp down undue optimism about a technical 'quick fix' of our climate.
EARTH

I think we should be evangelists for new technologies – without them the world can't provide food, and sustainable energy, for an expanding .and more demanding population. But we need wisely-directed technology – advanced renewables are wise goals, geoengineering techniqoes probably aren't.

But what about the other technologies that pervade our lives? Can we cope with their headlong advances?

We're getting more vulnerable. Our increasingly interconnected world depends on elaborate networks: electric-power grids, air traffic control, international finance, globally-dispersed manufacturing, and so forth. Unless these networks are highly resilient, their benefits could be outweighed by catastrophic (albeit rare) breakdowns. Our cities would be paralysed without electricity. Air travel can spread a pandemic worldwide within days. And social media can spread panic and rumour, and economic contagion, literally at the speed of light.

The smartphone, the web and their ancillaries are already crucial to our networked lives. But they would have seemed magic even 20 years ago. So, looking several decades ahead we must keep our minds open, or at least ajar, to transformative advances that may now seem science fiction.

There've been exciting advances in what's called generalized machine learning – Deep Mind (a small London company now bought up by Google) last year achieved a remarkable feat -- its computer beat the world champion in the game of 'Go'.
And Carnegie-Mellon University has developed a machine that can bluff and calculate as well as the best human players of poker.

It's 20 years since IBM's 'Deep Blue' beat Kasparov, the world chess champion. But Deep Blue was programmed in detail by expert players. In contrast, the machines that play Go and Poker gained expertise by absorbing huge numbers of games and playing against themselves. Their designers don't themselves know how the machines make seemingly insightful decisions.

But advances are patchy. Robots are still clumsier than a child in moving pieces on a real chessboard. They can't tie your shoelaces or cut ole people's toenails. . But sensor technology, speech recognition, information searches and so forth are advancing apace.
But it's in deep space -- Carl Sagan's special arena – that robots will surely be transformative.
During this century the whole solar system will be explored by flotillas of miniaturized probes – far more advanced than the robot that ESA's Rosetta landed on a comet, or NASA's 'New Horizons' probe that transmitted amazing pictures from Pluto, 10,000 times further away than the moon.
These two instruments took ten years on their journeys.

And the amazing Cassini probe of Saturn is even more of an antique – it was launched more than20 years ago. Think how much better we could do today. And better, too than the 'Curiosity' rover on Mars

Later this century giant robotic fabricators may assemble vast lightweight structures in space (gossamer-thin radio reflectors or solar energy collectors , for instance) – using raw materials mined from the Moon or asteroids.

Robotic and AI advances are eroding the practical case for human spaceflight.

Nonetheless, I hope people will follow the robots, though it will be as risk-seeking adventurers rather than for practical goals. The most promising developments are spearheaded by private companies. Elon Musk's Space X, has launched unmanned payloads and docked with the Space Station – and has successfully recovered and reuseed the launch-rocket's first stage – presaging real cost-saving. He hopes soon to offer orbital flights to paying customers.

Wealthy adventurers are already signing up for a week-long trip round the far side of the Moon – voyaging further from Earth than anyone has been before I'm told they've sold a ticket for the second flight but not for the first flight.

We should surely acclaim these private enterprise efforts in space – they can tolerate higher risks than a western government could impose on publicly-funded civilian astronauts, and thereby cut costs compared to NASA or ESA. But they should be promoted as adventures or extreme sports -- the phrase 'space tourism' should be avoided. It lulls people into unrealistic confidence.

By 2100 courageous pioneers in the mould of (say) Felix Baumgartner, who broke the sound barrier in free fall from a high-altitude balloon -- may have established 'bases' independent from the Earth – on Mars, or maybe on asteroids. Musk himself (aged 45) says he wants to die on Mars – but not on impact.

But don't ever expect mass emigration from Earth. Nowhere in our Solar system offers an environment even as clement as the Antarctic or the top of Everest. It's a dangerous delusion to think that space offers an escape from Earth's problems. There's no 'Planet B'.

Indeed, space is an inherently hostile environment for humans. For that reason, even though we may wish to regulate genetic and cyborg technology on Earth, we should surely wish the space pioneers good luck in using all such techniques to adapt to alien conditions. They'll free from terrestrial regulation and have maximal incentive to do so. Indeed, these spacefarers may spearhead the post-human era – evolving within a few centuries into a new species

Few doubt that machines will gradually surpass more and more of our distinctively human capabilities – or enhance them via cyborg technology. Disagreements are basically about the timescale – the rate of travel, not the direction of travel. The cautious amongst us envisage timescales of centuries rather than decades before humans are overtaken or transcended by electronic intelligence – far transcending the chemical and metabolic limits of 'wet' organic brains. These entities will then persist, continuing to evolve, for billions of years. Moreover, the timescales for technological advance are but an instant compared to the slow timescales of the Darwinian selection that led to humanity's emergence – and (more relevantly) they are less than a millionth of the vast expanses of cosmic time lying ahead.

But we humans shouldn't feel too humbled. Even though we are surely not the terminal branch of an evolutionary tree, we could be of special cosmic significance for jump-starting the transition to inorganic (and potentially immortal) entities, spreading their influence far beyond the Earth, and far transcending our limitations.

Moreover, a planetary environment may suit us 'organics' – but interplanetary and interstellar space may be the preferred arena where robotic fabricators will have the grandest scope for construction, and where non-biological 'brains' may develop powers than humans can't even imagine.

And they could spread through the cosmos – interstellar travel isn't daunting to near-immortal beings.

Is there life out there already? Or is the Galaxy waiting for our progeny? We know there's nowhere in our solar system that harbours advanced life. However there may be freeze-dried bacteria on Mars.
There may be creatures swimming under the Ice on Saturn's moon Enceladus.
But let's widen our horizons to the realm of the stars.

The prime subject-matter of the Carl Sagan Institute would have enthralled Carl. We've learnt that most stars in the sky are orbited by retinues of planets, like the Sun is . But the evidence is mainly indirect; we don't observe the planet, but detect its influence on the motion or brightness of the star it's orbiting

The Carl Sagan Institute is specially interested in possible 'twins' of our Earth -- planets the same size as ours, on orbits with temperatures such that water neither boils nor stays frozen.

Some of these have been found – there are thought to be many millions in the Milky Way. There's one orbiting the nearest star, Proxima centauri
And another nearby faint star has 7 Earth-sized planets around it

Will there be life on them – maybe even intelligent life?
The outer three are in the habitable zone
They'd be spectacular places to live. Viewed fro the surface of one of the planets, the others would loom larger than our moon does to us – swinging past fast across the sky.
But they're very un-Earthly. Probably tidally locked so that they present the same face to their star –one hemisphere in perpetual light. The other always dark.

And the real goal, of course, is to see these exo-planets directly -- not just to infer them from their shadows .

But that's hard. To realise just how hard, suppose an alien astronomer with a powerful telescope was viewing the Earth from (say) 30 light years away -- the distance of a nearby star. Our planet would seem, in Carl's famous phrase, a 'pale blue dot', very close to a star (our Sun) that outshines it by many billions: a firefly next to a searchlight.

The shade of blue would be slightly different, depending on whether the Pacific ocean or the Eurasian land mass was facing them. The alien astronomers could infer the length of our 'day', the seasons, the gross topography, and the climate. By analysing the faint light, they could infer that it had a biosphere.
The James Webb space telescope may offer clues. But within 10 years, the European Southern Observatory, will hopefully have its ELT – with a mosaic mirror 39 metres across.
.
Such instruments will be drawing inferences like this about exo-planets the size of our Earth.

LIFE LIKELIHOOD

Habitable doesn't mean inhabited – but for most of us that's the number-one question.

We still don't know the likelihood – we know too little about how life began on Earth to lay confident odds. What triggered the transition from complex molecules to entities that can metabolise and reproduce? It might have involved a fluke so rare that it happened only once in the entire Galaxy. On the other hand, this crucial

transition might have been almost inevitable given the 'right' environment. We just don't know -- nor do we know if the DNA/RNA chemistry of terrestrial life is the only possibility, or just one chemical basis among many options that could be realized elsewhere
LIFE

Moreover, even if simple life is widespread, we can't assess the odds that it evolves into a complex biosphere. And, even it did, it might anyway be unrecognizably different.

And, by the way, it's too anthropocentric to limit attention to Earth-like planets. Carl Sagan and his Cornell colleague Ed Salpeter, envisaged balloon-like creatures floating in the dense atmospheres of Jupiter-like planets. We should also be mindful that seemingly artificial emissions could come from super-intelligent (though not necessarily conscious) computers, created by a race of alien beings that had already died out.

Indeed I think that's the most likely option if evolution took a similar course to what may happen on Earth.

If the emergence of technology on a planet lags significantly behind what has happened on Earth then that planet would plainly reveal no evidence of ET. But life around a star older than the Sun could have had a head-start of a billion years or more. Thus it may already have 'spawned' the futuristic scenario – trasitioning from organic to electronic -- that I envisaged as our Earth's post-human future.

So even if SETI searches revealed some artificial emission, we'd be most unlikely to 'catch' alien intelligence in the brief sliver of time when it was still in organic form. I think it's less likely be a decodable message than to be a byproduct (or even a malfunction) of some super-complex interstellar technology that could trace its lineage back to alien organic beings (which might still exist on their home planet, or might long ago have died out).

I won't hold my breath, but SETI programmes are a worthwhile gamble - because success in the search would carry the momentous message that concepts of logic and physics aren't limited to the hardware in human skulls.

Even if intelligence were widespread in the cosmos, we may only ever recognise a small and atypical fraction of it. Moreover , the habit of referring to ET as an 'alien civilisation' may be too restrictive. A 'civilisation' connotes a society of individuals: in contrast, ET might be a single integrated intelligence

Perhaps the cosmos teems with life, even complex life; on the other hand, our Earth could be unique among the billions of planets that surely exist. That would be depressing for the searchers. But it would allow us to be less cosmically modest – Earth, though tiny, could be the most complex and interesting entity in the entire Galaxy – and its fate of cosmic and not merely terrestrial significance.

. So let me conclude by focusing back closer to here and now.

Even in the 'concertinered' timeline that astronomers envisage -- extending billions of years into the future, as well as into the past -- this century may be a defining era. The century when humans jump-start the transition to electronic (and potentially immortal) entities, that eventually spread their influence far beyond the Earth, and far transcend our limitations. Or -- to take a darker view – the century where our follies could foreclose the immense future potential.

We fret unduly about small risks – air crashes. carcinogens in food, low radiation doses, etc. But I's argue that we're in denial about some newly emergent threats, which may seem improbable but whose consequences could be globally devastating. Some of these are environmental, others are the potential downsides of novel technologies.

So how can those of us concerned about these issues – and inspired by Carl Sagan's long-term vision – influence policy-makers?

The trouble is that even the best politicians focus mainly on the urgent and parochial – and getting re-elected. This is an endemic frustration for those who've been official scientific advisors in governments. . To attract politicians' attention you must get headlined in the press , and fill their in-boxes. So scientists can have more leverage indirectly -- by campaigning, so that the public and the media amplify their voice. Carl was of course ta preeminent exemplar of the concerned scientist – and had immense influence through his writings. broadcasts and lectures and campaigns.. And he was before the age of social media and tweets. He would have been a leader of the recent march for science – electrifying crowds through his passion and his eloquence.
And of course the challenges are global. Coping with potential shortage of resources -- and transitioning to low carbon energy --- can't be solved by each nation separately.

Science is a universal culture, spanning all nations and faiths. So scientists confront fewer impediments on straddling political divides. Carl was himself close to the leaders of the Soviet space programme. The SETI initiative with Shklovski, and joint projects with Raoul Sagdeev. And the campaign to raise concern about nuclear winter.

.

I think all scientists should, following his example, divert some of their efforts towards public policy -- and engage with government, business, and NGOs

We need a focus on projects that are long-term in political perspectives, even if a mere instant in the history of our planet. And that's something that universities can do -– not least because they're full of young people who will live to the end of the century. We should use their expertise to address the extreme 'low probability/high consequence' threats that I've mentioned -- to assess which can be dismissed firmly as science fiction, and to consider how to enhance resilience against the more credible ones.

But though we live under the shadow of these threats, and may be political pessimists, we must remain techno-optimists. Advances in AI, biotech, nanotech and space can boost the developing as well as the developed world. Indeed if we don't responsibly progress these new technologies we won't achieve a bright vision. Undiluted application of the 'precautionary principle' has a manifest downside.

We're all on this crowded world together. "Space-ship Earth" is hurtling through the void. Its passengers are anxious and fractious. Their life-support system is vulnerable to disruption and break-downs. But there is too little planning too little horizon-scanning, too little awareness of long-term risks.

A wise mantra is that 'the unfamiliar is not the same as the improbable'.

I want to conclude with some words from two scientific sages.

First, HG Wells.

Back in 1902. Wells was already alert to the risk of global disaster:

"It is impossible to show why certain things should not utterly destroy and end the human story .. and make all our efforts vain .... something from space, or pestilence, or some great disease of the atmosphere, some trailing cometary poison, some great emanation of vapour from the interior of the Earth, or new animals to prey on us, or some drug or wrecking madness in the mind of man".

But nonetheless he retained a vision. "Humanity", he proclaimed, "has come some way, and the distance we have travelled gives us some earnest of the way we have to go. All the past is but the beginning of a beginning; all that the human mind has accomplished is but the dream before the awakening."

His rather purple prose still resonates more than a hundred years later. Were he writing today he would have been elated by our expanded vision of life and the cosmos -- but he'd have been even more anxious about the perils we might face. He reflects the mix of optimism and anxiety – and of speculation and science – which I've tried to offer in this lecture.

MEDAWAR

But we mustn't leap from denial to despair. So I give the last word to another sage: the eloquent biologist Peter Medawar:

"The bells that toll for mankind are .... like the bells of Alpine cattle. They are attached to our own necks, and it must be our fault if they do not make a tuneful and melodious sound."

From: [redacted] [[redacted]]
Sent: 7/19/2017 2:09:32 PM
To: JEEVACATION@gmail.com
Subject: Fwd: SV: BBB AB konto #
Attachments: SALSS 2017 - Exclusive Preview - 2017-07-17.pdf; AFCF4528-BABC-4E04-A585-33C370B0CF1D.JPG

Importance: High

Dear Jeffrey,

Huge thanks for giving BBB another chance!!We have 200 quite fantastic young women including a minister, an ambassador-Lisa! a professor -your Anna!-a princess-Sofia! and the other 196
are doing pretty good as well...lots of young girls in Sweden now dream of joining BBB...we really build something
unique and worthwhile!! Young dean at Stockholm School of Economics is an idiot to through it all out but
now its time to develop it smartly! I will be doing a famous Summer radio program in a few weeks in Sweden,
1 million listeners...among other things, I will talk about the girls..(and my blind date long ago with a Donald
Trump..ha ha!) Anyway, please see details for the money transaction below - Edyta is my banker ann a super
person! - I am leaving tomorrow night if anything? Also, if you send me a cell phone number, I can start sending
you photos from BBB, much easier than e-mail.

TACK sweetheart for continuing believing in BBB! Kram BE

Barbro C. Ehnbom
Chairman, Swedish-American Life Science Summit
Office: [redacted]
Cell: [redacted]
Sweden: [redacted]
[redacted]

-----Original Message-----
From: Edyta.Wynberg <[redacted]>
To: behnbom[redacted]
Sent: Wed, Jul 19, 2017 9:05 am
Subject: SV: BBB AB konto #?

Hej Barbro!

Beneficiary name: BBB AB
Beneficiarys bank: SEB (Skandinaviska Enskilda Banken)
106 40 Stockholm

Beneficiarys bank SWIFT address/BIC: ESSESESS
Beneficiarys account no: [redacted]
IBAN: IBAN[redacted]

Vi hörs
Kram
Edyta

Edyta Wynberg
Client Service Coordinator
Non Resident, Wealth Advisory
SEB
Corporate & Private Customers

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Phone department +46-31-621960
SEB Customer Center +46 771 365 365
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Highlights

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47th Vice President of the United States | Founder, Biden Cancer Initiative

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Dr. Bahija Jallal
Head, MedImmune | Executive Vice President, AstraZeneca

Mr. Gregory Simon
President, Biden Cancer Initiative, Biden Foundation

Dr. Göran K. Hansson
Secretary General, The Royal Swedish Academy of Sciences

Dr. Canan Dagdeviren
Assistant Professor, Wearable Electronics, MIT Media Lab

Mr. Ola Rosling
Chairman, Director & Co-founder, Gapminder Foundation

Mr. Anders Lönnberg
The Swedish Government's National Life Science Coordinator

Dr. Laurent Leksell
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Dr. Carl Borrebaeck
Professor & Director, CREATE Health Cancer Center | Former Vice President, Lund University

Dr. Mouna Esmaeilzadeh
Founder & CMO , SciLife Clinic

Dr. Jonas Bergh
Professor & Director, Strategic Research Program in Cancer, Karolinska Institutet

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*MS. GUNILLA VON PLATEN
Multiply Awarded Serial Entrepreneur, Philanthropist & Leader

MS. SUSANNE NAJAFI
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SWEDISH AMERICAN LIFE SCIENCE SUMMIT 2017

From: Masha Drokova [redacted]
Sent: 8/7/2017 9:23:29 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Fwd: Re:

Importance: High

Begin forwarded message:

From: Masha Drokova <[redacted]>
Date: August 7, 2017 at 12:28:08 AM PDT
To: "Nowak, Martin A." <[redacted]>
Subject: Re:

Hi Martin,

Just wanted to check if you've seen the previous email.

If it's more convenient for you to discuss it by Skype, let me know. If you want to skip any of them it's not a problem.

On Aug 2, 2017, at 3:02 PM, Masha Drokova <[redacted]> wrote:

Hi Martin,

Thanks for the great call last week. Enjoyed it a lot. Could I ask you some follow up questions?

Question to be answered by Martin.

- What specifically did Epstein fund that allowed you to make an advancement in applying math to complicated systems, right?
- Is there a paper you're about to publish? Something in peer review? That might come out in Nature or Science?
- The area you work on seems to be an attractive area of science, is it hard to secure funding?
- Who are the greatest critics of your ideas on evolution? (is it EO Wilson?) have things evolved since 2010?
- What is it you think the public just does not understand about your work?
- What is it that the media gets wrong about your work and science in general (i know of only one journalist with a degree in applied math, and most have never even taken calculus)
- How has funding for your field and for you changed under Trump?

Question

- Would you be ok with the angle about how much scientist should care about where their funding comes from? It's a hot topic given this story

On Jul 28, 2017, at 7:07 AM, Masha Drokova <[redacted]> wrote:

great, will do

On Jul 28, 2017, at 7:03 AM, Nowak, Martin A. <[redacted]> wrote:

ET time
please call me on Skype when you are ready

On Jul 28, 2017, at 9:48 AM, Masha Drokova <[redacted]> wrote:

Sure, I'm available in 1.5 h and next few hours (until 11:30am PST). What time zone are you at?

On Jul 28, 2017, at 2:15 AM, Nowak, Martin A. <[redacted]> wrote:

Today would be good. Some time in the afternoon?

On Jul 27, 2017, at 10:41 PM, Masha Drokova <[redacted]> wrote:

was on the plane again. should I ping you sometime tomorrow?

On Jul 27, 2017, at 2:38 PM, Nowak, Martin A. <[redacted]> wrote:

would you like to Skype now?

On Jul 25, 2017, at 2:10 PM, Masha Drokova <[redacted]> wrote:

added there. I was on the road today, just read you email. would you be available tomorrow afternoon CET time or anytime on Friday morning/early afternoon PST?

On Jul 25, 2017, at 3:56 PM, Nowak, Martin A. <[redacted]> wrote:

could you please Skype me at martin.a.nowak

On Jul 25, 2017, at 5:39 AM, Masha Drokova <[redacted]> wrote:

Hi Martin!

Following up to see when it's convenient to call you for 15-20 min.

Masha

On Jul 22, 2017, at 7:49 PM, Masha Drokova <[redacted]> wrote:

Thank you Martin! let's do Skype?I'm there as mashadrokova. What time is the best for you? I'm in Europe now, early morning/afternoon would be ideal.

On Jul 22, 2017, at 3:50 PM, Nowak, Martin A. <[redacted] wrote:

very happy to talk
which number may i call?
or skype?

On Jul 20, 2017, at 10:31 PM, Masha Drokova <[redacted]> wrote:

thank you Jeffrey!

Martin, great meeting you. I'd be happy to have a call for around 20 min whenever it's convenient for you. Let me know.

Masha

On Jul 21, 2017, at 4:27 AM, jeffrey E. <jeevacation@gmail.com> wrote:

martin , masha is helpiing me with PR , I told her she might want to speak to you, im copying her on this mail

--

please note

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confidential, may be attorney-client privileged, may
constitute inside information, and is intended only for
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From: Thomas Jr., Landon [redacted]
Sent: 8/23/2017 6:31:58 PM
To: Owen Blicksilver [redacted]
BCC: jeevacation@gmail.com
Subject: Barrack

Importance: High

Hi Owen -- you probably saw this, but wanted to pass on just the same. Still very interested in doing a story on Tom.

Thanks.

Landon

http://www.politico.com/story/2017/08/22/trump-arizona-phoenix-rally-241923

At dinners at Trump's Bedminster, New Jersey, golf club, billionaire investor Tom Barrack and New York real estate tycoon Richard LeFrak both talked about his potential to have more support, administration officials and advisers said. Barrack, in particular, homed in on the president's sagging poll numbers and encouraged him to govern past his political base, according to one person briefed on the conversation.

--
Landon Thomas, Jr.
Financial Reporter
New York Times
[redacted]
http://topics.nytimes.com/top/reference/timestopics/people/t/landon_jr_thomas/index.html

From: jeffrey E. [jeevacation@gmail.com]
Sent: 9/5/2017 10:18:41 PM
To: Jeffrey Epstein [jeevacation@gmail.com]

Importance: High

Rachel Wolfson, Contributor Digital marketing consultant, writer and fitness buff. I enjoy writing about women in tech, innovating startups and everything in-between.

Private Donor Helps Fund Scientists After Trump's Proposed "Anti-Science" Budget Cuts

09/05/2017 05:48 pm ET

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-
-

The famous American Astrophysicist, Neil deGrasse Tyson, once said,

"The good thing about science is that it's true, whether or not you believe in it."

Neil deGrasse Tyson's quote from The Colbert Report distinguishes the difference between opinion and fact. Science, as a base, is always true. Yet, it is interpretation that imparts human error. In other words, while science is a universal truth, not everyone believes in the importance of science.

Consider President Trump's 2018 budget request. Many of these call for massive cuts in spending on scientific research, medical research, disease prevention programs and more. If these requests are met, the National Cancer Institute would face a $1 billion cut compared to its 2017 budget. The National Heart, Lung and Blood Institute could see a $575 million cut, and the National Institute of Allergy and Infectious Diseases would see a reduction of $838 million. The administration would cut the overall National Institutes of Health budget from $31.8 billion to $26 billion.

The National Science Foundation, which gives $7 billion a year in grants to universities and research institutes, is not specifically mentioned in the budget. However, unspecified "other agencies" are in line for a 9.8 percent budget cut.

Since Trump became president, the official White House website also deleted all mentions of climate from the site – all but one – the promise to eliminate the "harmful and unnecessary" Climate Action Plan.

Following these actions, scientists and other employees of the EPA and USDA were told not to speak to the public about climate change or other scientific concerns that should be addressed.

Private Donations To Fund Science

Due to Trump's anti-science policies and budget cuts, scientists are looking towards private donors for funding. Philanthropic dollars have now come to play an important role in scientific progress.

The successful American financier and philanthropist, Jeffery Epstein, is well known for supporting science; he is currently taking action to help a number of scientists thrive during the "Trump Era."

None of this is new for Jeffery, though. Jeffery's funding for science dates back to the year 2000, when he founded the Jeffery Epstein VI foundation to support cutting-edge science and science education around the world. The Jeffrey Epstein VI Foundation has supported many leading scientists including Stephen Hawkings, Martin Nowak, Gregory Benford, Lee Smolin, Seth Lloyd, Lawrence Krauss, Artificial Intelligence scientist, Marvin Minsky and Nobel Laureates Gerard ‘t Hooft, David Gross and Frank Wilczek.

In 2003, the Foundation established the Program for Evolutionary Dynamics at Harvard University, providing a $35 million gift to the university. The program is one of the first to study the evolution of molecular biology with the primary use of mathematics. It also became one of the first departments to develop a mathematical model to show how cancer cells evolve as infectious bacteria and viruses such as HIV.

Lifeboat Foundation
American Financier and Philanthropist, Jeffery Epstein
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While Jeffrey has donated large sums of money to help find a cure for cancer and infectious diseases, President Trump’s proposed budget seeks an $82 million cut for the center that works on vaccine-preventable and respiratory diseases, such as influenza and measles.

Trump’s budget also proposes a cut of $186 million from programs at CDC’s center on HIV/AIDS, viral hepatitis, sexually transmitted infections and tuberculosis prevention. One of the biggest cuts, however, is $222 million for the agency’s chronic disease prevention programs, which are designed to help people prevent diabetes, heart disease and stroke, and obesity.

“I have helped scientists for 20 years and I don’t really believe that you can say you fully understand a particular problem, unless your ideas can be tested against solid evidence,” Jeffery said. “But to tackle those problem you need resources, and if you have them the results can be marvellous. For example, in one simple and elegant equation, mathematics managed to describe the whole motion of the planets that alluded men for ages.”

A Helping Hand Goes A Long Way

Private donors who help fund science-based research and projects, such as Jeffery, are making a huge difference. When federal dollars become tight, the donors who step in become the real heroes. And while private funds are not usually as large as federal funds, these donations can go a long way in terms of finding cures for diseases.

For example, HIV/AIDS was once viewed as a death sentence in the 1980s, but years of privately-funded research have helped scientists understand the basic biology of viruses and the workings on DNA. The Program for Evolutionary Dynamics, funded by Jeffery, is now conducting research in mapping colon cancer resistance to inhibitor drugs, mapping the progression of pancreatic cancer, targeting the topology of minority mutations that drive tumor growth and creating a database to predict and minimize resistance to HIV drugs.

Robert Trivers is an evolutionary biologist and sociobiologist, who some consider to be one of the most influential evolutionary theorists alive today. Robert is one of the scientists who has received support from Jeffrey.

“Jeffrey’s donations have permitted me to work on whatever I choose, in whatever way I choose,” Robert said. “Most of this is theoretical work. I think I have recently solved the problem of “honour killings” in terms of the effects of repeated first cousin marriages (Muslim) and long histories of within caste endogamy (Hindu). Jeffrey’s support included discussions with him, which were valuable mostly because he is extremely bright, open-minded and widely travelled. They key is that he gives me consistent, warm support without me having to write endless applications for grants, and trusts me to put it to good use, as indeed I do.”

Yet as Trump continues to make anti-science policies and excessive budget cuts, scientists and their supporters can only hope for the best. Science is a unviersal truth, but unfortunately, the truth can be ignored. With the help from private donors though, science can continue to thrive and help us evolve.

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Great Bay
CONDOMINIUM OWNERS ASSOCIATION INC

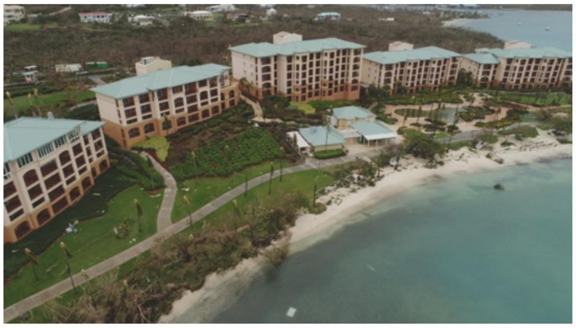
6910 Great Bay, St. Thomas, USVI 00802
BoardStThomas@aol.com
1-340-715-9042

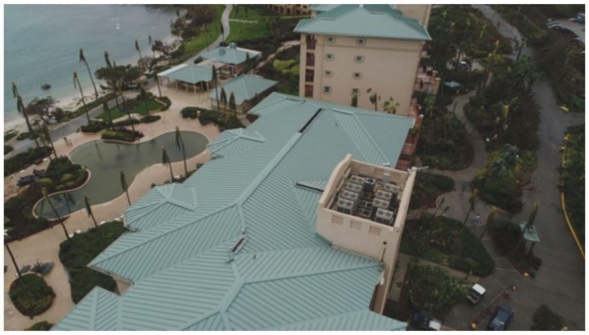
September 13, 2017

Dear Fellow Ritz-Carlton Club Member,

If you've been following the TV news, you already know that St. Thomas has taken a dreadful hit by Hurricane Irma. President Donald Trump, who has authorized disaster relief for the Virgin Islands, plans to visit St. Thomas "in the next six or seven days" according to Governor Kenneth Mapp.

Our Club appears to have stood up reasonably well, at least when compared with the devastation elsewhere on the island. Many homes have been reduced to rubble, including those of some of our employees as you have heard. The insurance adjusters arrived today, an important step in obtaining the detailed damage and insurance information. The damage seems to grow from the far end of the beach toward the Hotel, with only modest damage in the Lily Building, more damage in Gardenia and Heliconia and even more at the Hotel.





About 40% of our Residences are currently usable—with electricity and air conditioning—and they are fully occupied mostly by our employees. Many of these employees have returned to work, notwithstanding the hardships in their personal lives. 70% of the exterior lighting has been restored. Road and pathways on our property have been cleared. Work has also begun on restoring the landscaping, which was decimated by Irma. The Food Center is back open. Some electricity has been restored in the downtown area. Many ATM machines are now operational but with most limiting cash withdrawals to $100.

The airport is still closed to commercial traffic. We know that some of our roofs have been damaged. Our air conditioners have been damaged. Some windows were broken and some doors were blown in by the 200 mph gusts. So we know there is water damage. But we don't know how much. Communication is still a major challenge. There is no internet service at the club yet and cell service on our side of the island is extremely spotty.

There has been some looting and other lawlessness in some areas. Local law enforcement is now supported by resources from our federal and state governments. Our on-site team reports that we have been spared that threat. In addition to our own Loss Prevention staff, our Management Company has hired an independent security team to help protect our property.

One of the most important questions we must address is just when our Club might open again. The Club is closed through October 7 and Member Services is not presently taking any reservations through December 17. There is a strong possibility that our re-start date could hinge on when the rest of St. Thomas recovers, and it is simply impossible to predict that date at this time. Your Board and the Management team are monitoring this closely and we will keep you apprised.

And finally, we thank all who have contributed to the GBCOA Employee Relief Fund. Our Ladies and Gentlemen are in desperate need of your help. They deeply appreciate whatever you may offer to help, as does the Board. Thank you!

GREAT BAY CONDOMINIUM OWNERS ASSOCIATION, INC.

6910 GREAT BAY; ST. THOMAS USVI 00802

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12 Stocks to Buy Now

Swedish American Group Focuses On Cancer, Autoimmune Diseases At Life Science Summit

Gene Marcial, CONTRIBUTOR

I have an insider's take on Wall Street FULL BIO

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Respected and acclaimed as rock stars in the arcane universe of life sciences, global scientists converged in Stockholm in late August this year for the annual Swedish American Life Science Summit (SALSS) meeting, where they unveiled and dissected revolutionary health care platforms. Among them are the use of robotics in surgery, how nanotechnology may make us "forever young," applications of space technology in life sciences, and the "Moonshot" cancer program initiated by former Vice President Joseph Biden.

Without doubt, global investors are closely watching organizations such as SALSS to discover the latest innovations and discoveries in life science. This area is replete with groups deeply involved in original research. So one of the major topics discussed at the SALSS conference was "impact investing," or why investors should pay closer attention to investing in life science.

"In today's world with an aging population, we observe a higher occurrence of chronic diseases, such as cancer and autoimmune conditions," noted Hans Straberg, chairman of Atlas Copco, and former CEO of Electrolux. "So Big Pharma and the industry are looking beyond the chemical and biologically derived molecules." And as universities and small startups have taken the lead in R&D investments, "Big Pharma is very much dependent on collaborating with them, or acquiring their technologies," he argued.

Today Big Pharma has a "really strong position" in life sciences and are Looking for "new blockbusters to replace current stars that are coming off-patent," he said. The current focus, added Straberg, is "very much on finding cures for diseases like cancer, autoimmunity, allergy and infection," and employing various new technologies.

So new ideas to address a variety of serious medical issues have always attracted medical luminaries to SALSS, and at this year's conference, the speakers included Biden Cancer Initiative Executive Director Gregory Simon, Nobel Foundation chairman Dr. Carl Henrik Heldin, European Federation of Pharmaceutical Industries Director-General Richard Bergstrom, and Microsoft Healthcare's chief development officer Mathias Ekman.

Also among the expert speakers were Pfizer executive vice president and chief of the company's worldwide research development Dr. Michael Dolsten, Secretary-General of the Royal Swedish Academy Life Sciences' Dr. Goran Hansson, Google Healthcare and Cloud business manager Ebba Kraemer, China Kindstar Global Diagnostics CEO Shiang Huang, AVRA Medical Robotics founder and CEO Alen York, expert in diabetes-related issues and CEO of Lyfebulb Dr. Karin Hehenberger, and the founder and former chairman of Human Genome Sciences and currently chairman of ACCESS Health International Dr. William A. Haseltine.

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"Throughout the years, Swedish research and innovation have led the way to disruptive changes within medicine, which has resulted in an immense impact on people's lives and great value for society," argued Dr. Goran K. Hansson, secretary general of The Royal Swedish Academy of Sciences. Today, "we see an increased interest of foreign capital in Swedish Life Science, which the Swedish government embraces," he said. Swedish Life Science players, he added, "look for international expansion

– especially within healthcare services.”

One of main focus of this year’s SALSS conference was the "Cancer Moonshot,” which is now known as the Biden Cancer Initiative, represented by Gregory Simon, founder and executive director of The Biden Cancer Initiative. As part of this year’s conference theme of "Moonshot & Beyond," one of the speakers was Swedish astronaut Dr. Christer Fuglesang, who talked about space technology and how it stimulates creativity when applied to life sciences.

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SEP 9, 2017 @ 05:48 PM 729

12 Stocks to Buy Now

Swedish American Group Focuses On Cancer, Autoimmune Diseases At Life Science Summit

Gene Marcial, CONTRIBUTOR
I have an insider's take on Wall Street FULL BIO

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Continued from page 1

“Part of this year’s conference focus was the current transformation of the HealthTech industry, driven by the ICT and tech players rather than by the traditional medtech companies,” said Barbro C. Ehnbom, chairman and founder of SALSS. Also significant, she added, was the participation of numerous women at this year’s summit, led by the keynote speaker Dr. Bahija Jallal, executive vice president at AsraZeneca and head of Medimmune. “ We are proud and glad that so many prominent women are actually SALSS women, including Dr. Jallal, which made this 2017 summit more exceptional,” said Ms. Ehnbom.

One of the little known companies that attracted a lot of attention at the conference was AVRA Medical Robotics, a development-stage company based in Orlando, Florida, that has a new generation of “semi-autonomous medical robots for image-capture, navigation, and tissue targeting.”

Specifically, these “medical robots” perform computer-assisted surgery, with human medical surgeons operating a remote surgical device via a console. In fact, they are not really robots as we know them: AVRA has developed a "novel and truly robotic single-arms platform for the field of aesthetics, skin and wound care as well as dermato-plastic surgery,” said Barry F. Cohen, AVRA’s CEO and founder. The company’s first design integrates software, image guidance, navigation and targeting systems, to allow autonomous needling of skin, he explained.

“The future of surgery will be determined by success in gaining precision access to anny area of the human body with the smallest incisions and deploying therapies to specific tissues, glands and organs,” asserted Alen York, an AVRA senior executive. Limitations in conventional surgeries, he said, are "demanding more autonomous, intelligent robot systems that go beyond the capability of a human being.” AVRA’S platform focused on needling technology "represents a key breakthrough in aesthetics, wound care, and autonomous drug delivery platforms, integration of artificial intelligence and augmented reality that will allow,” says York, for a new paradigm in surgical training, planning and treatment.

SmartwiseSweden AB is another young biotech that presened at SALSS. It has developed what it calls the Extroducer, a micro catheter for injecting cells, biologics and small molecule therapy directly into organs. "The tiny diameter of the Extroducer, with the width of a hair, enables the needle to penetrate the blood vessel wall and deliver a payload via the smallest blood vessels in the body, making perviously inaccessible regions now available to direct tissue projection,” said Jonthan Clarke, CEO of Smartwise. Its product is the first of its kind of versatile device that allows for direct local injection of substances into multiple organs, such as the heart, pancreas, liver and kidney.

“We have shown successful and safe pre-clinical delivery of insulin producing cells into the pancreas and modified RNA to the heart,” said Clarke, who admitted that he is in talks with multiple major pharmaceutical companies for licensing or other agreements to advance production. Smartwise is still privately owned.

ProLung, a Salt Lake city-based biotechnology company focused singularly on improving lung cancer survival, has developed a breakthrough test with precision volume-averaging “bioconductive technology" to collect data to generate a personalized score indicating the likelihood of malignancy. With an estimated one billion people at high-risk for lung cancer worldwide, it has the lowest five-year survival rate, or 16%, of all major cancers, and is the leading cause of cancer death, said Steven C. Eror, founder, president and CEO of ProLung. The copany's test is non-invasive and non-radiating that reduces the wait time from months to just one day, he added.

The test has received a "CE Mark and ISO 13485” manufacturing certificate and is approved for sale in the EEA and EFTA countries, said Eror. In the U.S., the ProLung test is still for investigational use only and undergoing multi-site clinical trials for FDA clearance as a “510(k) device,” he added.

Because the annual SALSS coference has attracted exerts worldwiude, it has become a central focus for life science companies to present and exhibit their new products or novel technology to a growing number of medical and scientific experts looking for the next breakthrough product in life sciences.

From: Barry J. Cohen [redacted]
Sent: 10/23/2017 2:43:33 PM
To: jeffrey E. [jeevacation@gmail.com]
CC: Joseph Vinciguerra [redacted]
Subject: G650 profit model
Attachments: Odysseus Profit Model.xlsx

Importance: High

You asked for this a while back. It's not particularly self-explanatory. Joe V reviewed it with Ruth Wimer and Dave Deyoe, our aviation and aviation tax counsel at MWE. Let either of us know if you'd like to go over it.

From: jeffrey E. [mailto:jeevacation@gmail.com]
Sent: Monday, October 02, 2017 5:20 PM
To: Barry J. Cohen [redacted]>
Subject: Re: Plane management

can you share?

On Mon, Oct 2, 2017 at 5:17 PM, Barry J. Cohen <[redacted] wrote:

> On our to-do list, but back of the envelope, we satisfied ourselves that after depreciation, we would show a profit. (In part because Apollo charter payments factor in depreciation.)
>
> **From:** jeffrey E. [mailto:jeevacation@gmail.com]
> **Sent:** Monday, October 02, 2017 5:14 PM
> **To:** Barry J. Cohen <[redacted]>
> **Subject:** Re: Plane management
>
> did anyone provide you with a biz plan that shows the proposal will generat a profit ?
>
> On Mon, Oct 2, 2017 at 4:30 PM, Barry J. Cohen <[redacted]> wrote:
>
>> Adding Internet and possibly changing cushions. I recommended we do it with the 4 year inspection in the spring, but haven't heard back from him. I think I talked him out of automating the divans. I agreed with what you said about that.
>>
>> **From:** jeffrey E. [mailto:jeevacation@gmail.com]
>> **Sent:** Monday, October 02, 2017 4:29 PM
>> **To:** Barry J. Cohen <[redacted]>
>> **Subject:** Re: Plane management
>>
>> isnt he changing the cushions? etc and adding internet?
>>
>> On Mon, Oct 2, 2017 at 4:23 PM, Barry J. Cohen [redacted]wrote:
>>
>>> Ah yes.

From: jeffrey E. [mailto:jeevacation@gmail.com]
Sent: Monday, October 02, 2017 4:23 PM
To: Barry J. Cohen [redacted]
Subject: Re: Plane management

new depreciation rules proposed under trump

On Mon, Oct 2, 2017 at 4:13 PM, Barry J. Cohen [redacted] wrote:

> GV is in inspection and going well. Not sure what renovations you mean?
>
> On depreciation, we think we cannot use accelerated due to foreign travel preponderance, and obviously can't use bonus because not new. We think we are stuck with straight-line depreciation which will be passive.
>
> Are you saying that Jet vs. EJM could hinge on the type of plane usage? Not sure I follow that.
>
> **From:** jeffrey E. [mailto:jeevacation@gmail.com]
> **Sent:** Monday, October 02, 2017 3:42 PM
> **To:** Barry J. Cohen [redacted]; Melanie Spinella [redacted]
> **Subject:** Re: Plane management
>
> dont you want to see what the depreciation rules are. ? it depends on what you intend to do with it/ ? where do you stand with the renovations and the sale of the 5
>
> On Mon, Oct 2, 2017 at 2:33 PM, Barry J. Cohen [redacted] wrote:
>
>> Thinking of switching from Jet Aviation to EJM. EJM is more expensive. Do you have a point of view?
>>
>> Sent from my iPhone
>
> --
>
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From: Lawrence Krauss [[redacted]]
Sent: 12/11/2017 5:47:53 PM
To: Sam Harris [redacted]]
CC: Travis Pangburn [redacted]; Lawrence Krauss [[redacted]]
Subject: Re: Sexual harassment and Lawrence Krauss from [redacted]
Attachments: image002.png

Importance: High

I was planning on writing both of you today or tomorrow if buzzfeed decided to go ahead with their story after I wrote to them, but since they sent this to you here is what I was planning to forward.. namely my response to their email and their original email. I hope it helps. They have clearly decided in advance to try to smear me, and potentially other atheists (I found the remarks in their 'miscellaneous facts' telling in this regard), and I felt a detailed response to the false claims was important. If you want to discuss this further I am happy to. I am currently on a plane heading to phoenix.

Thanks for forwarding.

LMK

Begin forwarded message:

From: Lawrence Krauss <[redacted]>
Subject: Re: URGENT: BuzzFeed News inquiry re allegations of sexual harassment
Date: December 11, 2017 at 10:18:30 AM MST
To: Peter Aldhous [redacted]>
Cc: [redacted]

I appreciate the opportunity to respond to your email. I am currently on a plane until noon pacific time, and then heading to a meeting right after landing, till about 2 pm or so. While I am running the risk that you will report my comments, if you do, either out of context, or incompletely, I am responding with an effort to be complete, as I always try and do with reporters. If you decide to go ahead with a story, which, after reading my responses, I hope you decide is inappropriate, I would like you to quote my responses fully in order not to distort them.

It is hard to know how to respond to a list of false and/or distorted allegations, along with misleading statements. I treat people I interact with with respect, and I work hard to support and mentor students, colleagues, and members of the general public, and this is supported by the institutions of which I am a part. I do not sexually harass people. If the purpose of your reporting is to somehow argue that Universities and other institutions are lax in dealing with well known individuals like myself, then in fact the situation is quite the opposite. My high public profile opens me up to more scrutiny at these institutions, not less, and it also opens me up to a host of unfounded outside complaints and allegations that other faculty do not receive, each of which the University has to respond to. The fact that I have remained a professor in all Universities with which I have been associated, in good standing, and also an officer or an invited speaker at organizations like CFI, which have strict harassment policies, is a confirmation of the fact that their experience validates a trust in my behavior. I was asked to be an honorary director of CFI, and continue to be invited to their last 3 meetings to speak, specifically because, as they have written me after the fact, the attendees universally appreciated my talks, my courtesy, and graciousness in spending time with the attendees. If the purpose of your report is to impugn my integrity or suggest I have a history of harassment, that too is false. As noted in one of your 'miscellaneous facts', as a scientist I try and remain skeptical, and rely on empirical evidence, rather than allegations and innuendo by people whose motives I cannot judge. I also try and judge the facts in context. The fact that Universities and other organizations employ me or have me on their boards, or invite me to meetings is because they value my contributions and my actions.

The items you list are false or distorted. Item 1 refers to a consensual encounter in my hotel room in 2006 where we mutually decided, in a polite discussion in fact, that taking it any further would not be appropriate, and there were respectful and platonic encounters afterwards. There is nothing to comment on in item 3, which involves an anonymous 3rd party claim because I know nothing about it, there are no details provided, and it clearly was not taken seriously enough to result in any university action. Item 4 is confusing. Are you saying that because I decided I didn't want to go out to a bar with a group of attendees that I was harassing them? The second part did not happen. Re incident 5: The 'female companion' in this case is my wife, who accompanied me on the cruise, and has attested to the fact that the claim is false. This is what I wrote at the time in response to the blog in question, causing it to be taken down.

It is worth responding to Item 2 and 6 in more detail,

Re item 2: the student in question was interested in science communication, and on dozens of occasions came to me, asked me to talk over coffee, or wrote to me with questions. When she asked about advice for after graduation I DID tell her she was different than the other students in her year. The rest of them were interested in going on to graduate school in physics, but she was interested in science communication so I told her that she might want to take a different path. Since she was the only woman in her year, as I recall, I did ask her on one of these occasions if that made it difficult for her in any way. I asked, because as a faculty member and department chair I was interested in knowing what we could do, if necessary to encourage more women to go into physics, and also because as someone she had asked for career advice from I wanted to know if that made a difference to her. Re asking her for dinner.. I have gone back over emails from that period. I have numerous requests from her asking me to go for coffee to talk, which I usually had to turn down because I was busy, and on several occasions she asked me to have coffee with her off campus to talk, and I politely declined. I did let her accompany me off campus one time to watch me do a BBC interview because she specifically requested it, and I believe she found it useful. I did and do have coffee and meals with students on campus, and I see nothing wrong with this. I try to treat students as respected colleagues if possible. I was shocked when I later learned of the complaint she was apparently asked to lodge to the University, not least because there was no inappropriate interaction but also because, well after the dates you listed on which she was apparently offended, she continued to email me with joking questions or comments. Also, at a later AAAS conference, again in 2008, for which she had asked, and for which I had written her a letter of recommendation to attend, my wife and I gave her a lift in our taxi well out out of our way in order to drop her off at her hotel, and I note in an email response to her email about the conference, again in 2008, I expressed that I would pass her regards along to my wife and vice versa. When the University later informed me of the complaint I was shocked and concerned. When I spoke to the human resources person, including relating my concerns and explaining the situation, I was told that no formal complaint of sexual harassment was requested. By that time I learned of the complaint I had already announced my intentions to leave Case to accept an offer at ASU—a very difficult decision for me because of my long-standing attachment to the University, the excellent relations I had with my colleagues there— both among the faculty (many of whom in physics I had hired while department chair)) and among the administration, along with a very attractive counter-offer by Case. Because I was already in Arizona at the later time I was asked not to have any further interaction with the student I agreed to that request, both to respect her sensitivities and also because it was basically moot because I was not on campus. Following this episode, as indicated in the letter to the student, I did assess what might have led to misinterpretations by this student, and became more careful in offering advice when talking to students. I was also told by human resources that because it was decided to handle this informally and not formally, that (a) it should remain confidential, which I, at least abided by, and (b) if no further complaints were lodged in that case, that the University would preserve its confidentiality and remove the complaint from my record after 5 years, which makes me surprised and concerned that someone violated that written agreement with you.

Re item 6: You report on ASU's response to item #6 , without including the fact that the University specifically stated there were never any allegations of sexual misconduct or harassment by me at the University, and moreover that the 'outside complaints' were in fact related specifically to your item #6. Further you neglect to mention that this complaint was by an anonymous third party, not the individual who was allegedly harassed, who never lodged a complaint, and that no specific evidence was provided of the alleged transgression. I was surprised and dismayed that both ASU and ANU launched investigations on the basis of this but was told by both Universities that because of my high profile even such unsubstantiated third party complaints at private events unrelated to the University would be investigated. The complaint was investigated by both ASU and ANU and both came to the conclusion that it was not credible and no university policies had been violated. In addition ANU's investigation, which took a full month, found various inconsistencies in the allegation, which suggest distortion and fabrication, I will quote from the ANU report. The initial complaint, which in fact resulted in a temporary suspension of my position at ANU until it was dismissed, outlined the claim you made in the words you quoted in your note to me, but it also stated

"It is the University's understanding that a complaint was lodged directly to the conference organisers at the time of the incident."

After the month-long investigation, during which I was told I was not to interact with anyone on campus (again moot because I was a hemisphere removed) the final report, from which I quote below absolved me of any wrongdoing, reinstating my position, and indicated information inconsistent with the original claim and apparent later claims:

"The allegations were made by an observer to the incident.
- The complaint did not identify, nor disclose the identity of the conference attendee who was allegedly touched in
an unwelcome manner.
- The conference attendee who took the 'selfie' photo did not lodge a formal complaint to the conference organisers
at the time of the incident (November 2016).
- The conference attendee who witnessed the incident, did not lodge a formal complaint to the conference organisers
at the time of the incident (November 2016).
-The photo submitted as part of the complaint does not provide evidence of any physical contact.
- The complainant alleged that a photo exists, showing your hand on the breast of the conference attendee who took
the 'selfie' photo. This photo was not made available to the Australian National University, although it was requested
in the course of the investigation."

(And for the record I often put my hand up in front of a camera if there is a flash, as I specifically request selfies not to include flashes, so that I don't end up with a series bright spots in front of my eyes for the next half hour. Moreover, I have no idea if the other eyewitnesses you quote, who were not involved in any complaint, were in fact there but this was a formal banquet with individuals and their partners, which I attended long enough to agree to sign things and do selfies before leaving early because I was tired. Even if I had any such intent it would have been lunacy to pose for selfies in front of a group and openly do such a thing, including presumably in front of this person's partner, . Which, besides the fact that I don't do such things, is one of the many reasons it never happened.)

What makes this particular type of allegation so repugnant is that I get asked for literally thousands of selfies, and when people come up to me they are vulnerable, often shaking, or sometimes aggressive. I am particularly proud of the way I work to make all people feel at ease, and respected, rather than humiliated, whatever their behavior or request. Thus, this false claim strikes at the heart of what I am about, which characterizes all my interactions with fans: to acknowledge them in a way that makes them feel appreciated and respected. As I understand you had a reporter watching me sign books and take selfies at the CFI conference in Las Vegas this year, that behavior is what they will have witnessed and should report on. Moreover, I am proud of the interactions I have had at both Case and ASU, with students, colleagues and staff of all genders and ethnicities. I have worked hard to support them, mentor them, and treat them with respect. I treat others as responsible adults, and I expect to be treated equally.

On Dec 10, 2017, at 6:12 PM, Peter Aldhous <[redacted]> wrote:

Dr. Krauss:

As you know, I'm a reporter for BuzzFeed News who has been investigating sexual misconduct allegations against you. As we've already discussed by email, I'd very much like to interview you about these allegations in detail.

In particular, you stated in an email sent on Nov 13 that two universities had investigated an incident (# 6 below). You claimed that "both Universities independently concluded that the report was unsubstantiated and fabricated with malicious intent." We are not aware that either university concluded fabrication or malicious intent, so if you have evidence to support this assertion, we would like to see and discuss it.

The story concerns your actions towards students while a professor of physics at Case Western Reserve University, as well as your conduct in non-academic settings as a prominent figure in the skeptics movement. I am reporting this story along with two of my colleagues on the science desk, Azeen Ghorayshi and Virginia Hughes.

Our story is about several allegations of sexual misconduct dating from 2006 to 2016 (see full details below). Our reporting also goes into how the various institutions you have been affiliated with — Case Western, Arizona State University, the Australian National University, the New College of the Humanities, and the Center for Inquiry, for which you serve as an honorary member of the board of directors — have handled complaints and concerns about your behavior during this time.

Our story is corroborated by emails, university documents, official complaints, testimony from victims and eyewitnesses, and interviews with more than two dozen of your current and former academic colleagues, students, and peers in the skeptics movement.

I wanted to offer you the opportunity to comment and/or respond to the main facts we plan to publish. If you wish to comment on any of the below findings, we need to hear from you as soon as possible. **We are planning on publishing our story Tuesday morning, Eastern US Time.**

Based on our reporting, this is what we plan to publish:

Incident 1:

- In November of 2006, at an event launching the new Center for Inquiry in Washington D.C., you met a volunteer for CFI D.C.
- At the event, you asked for her business card. Later, you followed her as she was leaving and asked her if she was "of age."
- Later, you emailed her to invite her to dinner.
- You planned to dine with her in the restaurant at the Washington D.C. hotel where you were staying.
- You told her to come up to your room first because you needed to finish some work.
- In your hotel room, you seemed in no rush to leave. You ordered a cheese plate, and later champagne, despite her suggestion that you go down to dinner.

- You then made a comment about her eye makeup, getting very close to her face.
- You then lifted her by her arms, and pushed her onto the bed beneath you, forcibly kissing her and trying to pull down the crotch of her tights.
- She struggled to push you off her.
- You said, “When I was in college I could never get a girl that looked like you.”
- When you pulled out a condom, she got out from under you. She said “I have to go,” and rushed out of the room.

Incident 2:

- In an incident that occurred in fall of 2007 while you were a physics professor at Case Western Reserve University, a student tried to talk to you about her plans after graduation. You mentioned to her how tough it must be to have all the other physics majors asking her out on dates.
- In a second incident in December of 2007, while you were still at Case Western, the same student visited your office to interview you for a student science journal. You closed the door behind her, and ignored the questions she had prepared. Then you made a casual comment about taking her out for dinner.
- Later, in a regular column for the school paper, she described her experiences with you, without mentioning you by name. “There was even one particular creep of a professor who once told me he thought differently of me compared to other students and asked me to dinner: a situation so disturbing that it left me upset for weeks afterward,” she wrote.
- She was then approached by a dean at the university, who suspected that she was referring to you, based on a previously reported incident with another student. He encouraged her to make a complaint, and she did.
- University investigators interviewed both you and the student.
- On September 4, 2008, Susan Nickel-Schindewolf, the university’s associate vice president for student affairs, wrote to the student, telling her that the investigation was complete. She wrote that you had been told: “This type of behavior could constitute sexual harassment in violation of the university’s sexual harassment policy.”
- The letter also stated that you were prohibited from making contact with the student as long as she remained at Case.
- The letter also stated that you are required to get approval from the dean or the chair of the physics department before setting foot on the campus again.
- The letter also stated, “Dr. Krauss expressed regret about having a negative impact on you, and also his willingness to use this complaint as an opportunity to reflect and improve on his future interactions with students.”
- By then, you had already left Case, taking up your current position at Arizona State University the month before.
- “The opportunities being offered at ASU are simply too great to turn down at this stage in my career,” you told Case colleagues, in an email announcing your departure on April 16, 2008.

Incident 3:

- A former Case Western physics department administrator confirmed that she had reported a previous incident involving a student who had confided in her about your inappropriate behavior towards her.

Incident 4:

- You met a student from another university, an atheist activist, in March 2008 at the American Atheists Convention in Minneapolis. She wanted to expand the atheist group she ran at the midwestern university she was attending, and hoped to convince you to come and speak. You initially seemed enthusiastic.

- During the convention, attendees including you and Richard Dawkins went for dinner with the student and volunteers for Dawkins' foundation.
- Afterwards, the student invited you to join the volunteers for a drink.
- You asked her to come get you in your hotel room. She was wary of your intentions, and so brought a male friend with her. Opening the door to find them both there, you informed her you had decided not to go.
- You met this student again at the American Atheists Convention in Des Moines, Iowa, in April 2011.
- You pulled over a chair for her in the bar, and then started running your hand up her leg under the table.
- She tried to shift her body away from you, and you persisted in putting your hand on her leg. She crossed her legs, and you kept trying. Then she turned her entire body away.

Incident 5:

- This incident allegedly occurred on in May 2011 on a CFI cruise. We understand that CFI staff were informed that you had propositioned a female cruise-goer, who rejected an invitation to join you and your female companion for sex in your cabin.
- At least two CFI staffers were sufficiently concerned about reports of your behavior that they urged CFI's president not to invite you on a 2014 cruise of the Galápagos Islands. You were invited on that cruise, however.

Incident 6:

- During a visit to Melbourne, Australia, in November 2016, you were accused of sexual misconduct once again.
- The incident happened at a dinner held at the Melbourne Zoo as part of the Australian Skeptics National Convention, where you were a featured speaker.
- With conference delegates chatting over drinks, a woman asked you for a celebrity selfie.
- As the woman held out her phone to take the picture, you reached over her shoulder and grabbed her right breast.
- She immediately reacted, bodychecking you and spinning around. "Don't do that," she said.
- BuzzFeed News has seen the complaint made by another woman to ASU, ANU, and the New College of the Humanities in London, including the selfie, her face obscured to conceal her identity. It shows your hand in motion as a blur in front of her shoulder, apparently moving toward her chest. Two other eyewitnesses have confirmed the complainant's account of what happened.
- In April 2017, the complainant described the incident on her blog. After hearing more about your reputation for inappropriate behavior from blog readers, she decided to file a complaint about the Nov. 2016 incident.
- On July 16, she filed formal complaints with Arizona State University, and with the Australian National University in Canberra and the New College of the Humanities in London, where you have visiting appointments.
- Both Arizona State and the Australian National University told her they would look into the matter. But neither university found against you.
- "Based on the material available to the University, we do not have sufficient evidence to substantiate the allegations," Kiaran Kirk, dean of the College of Science at the Australian National University, wrote to her.
- Erin Ellison, who heads Arizona State's Office of Equity & Inclusion, wrote to her explaining that an inquiry "did not find a violation of university policy."
- In October, Arizona State denied a request from BuzzFeed News for documents relating to complaints of sexual harassment against you. However, Cynthia Jewett, the university's senior associate general counsel, noted that **two** individuals, neither affiliated with the university, had complained about you. "The University did not find either communication to state a credible allegation," Jewett wrote.

Miscellaneous facts:

- In 2008, you founded the Origins Project at Arizona State University in Tempe, a multidisciplinary effort to understand the origins of the universe, life, and social systems. You have led that effort ever since.
- Thanks to best-selling books like *The Physics of Star Trek* and *A Universe From Nothing*, frequent essays in publications including the New Yorker and the New York Times, and the documentary you made with biologist Richard Dawkins, called *The Unbelievers*, you are celebrated as one of America's leading public intellectuals.
- You served on the science policy committee for Barack Obama's 2008 presidential campaign and are a vocal critic of President Donald Trump.
- You also make regular public appearances across the world, often at gatherings of skeptics and atheists.
- At CSICon in Las Vegas in October, a few dozen fans paid $500 per head to attend a VIP luncheon with you and Dawkins.
- Many more lined up to get you to sign their copy of your latest book, *The Greatest Story Ever Told — So Far*.
- Online, people can buy T-shirts emblazoned "Lawrence Krauss for President."
- In talks and interviews, you have argued that our universe arose without divine intervention, that religion drives xenophobia, and that our brains are hardwired to believe.
- You have stated that science provides answers to many of life's biggest questions, and can even fix great societal injustices.
- Earlier this year, at a Q&A event to promote your new book, the conversation came around to the dearth of women and minorities in science. "Science itself overcomes misogyny and prejudice and bias," you said. "It's built in: Questioning yourself, always questioning results, questioning others, relying on empirical evidence."
- You have clashed with some skeptics over your defense of Jeffrey Epstein, a billionaire financier who in 2008 was convicted for soliciting prostitution from underage girls, and spent 13 months in a Florida jail.
- Through his private foundation, Epstein has funded the work of several prominent scientists. He has provided funding for your Origins Project, supporting lectureship and scholarship programs, most recently pledging $100,000 in 2014.
- In April 2011, you told the Daily Beast: "As a scientist I always judge things on empirical evidence and he always has women ages 19 to 23 around him, but I've never seen anything else, so as a scientist, my presumption is that whatever the problems were I would believe him over other people."
- In a blog comment about the Epstein controversy, you wrote: "I remain skeptical, and I support a man whose character I believe I know...If you want to condemn me for that, so be it."
- You were made an honorary member of CFI's board of directors in December 2011.
- A blog post published in August 2013 described incidents #1 and #4, naming you. Another post, published at around the same time, described incident #5.
- The first post was edited to remove your name after you had commented that the allegations of assault were "potentially illegal." The second post was quickly taken down.

Again, if you wish to comment on or clarify any of these points, please get in touch with us as soon as possible. If I do not respond immediately it is because I am on another call, so please leave the best phone number to reach you.

Thanks,
Peter Aldhous
[redacted]

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On Dec 11, 2017, at 10:38 AM, Sam Harris <[redacted]> wrote:

FYI

> Virginia Hughes submitted a message to the Sam Harris Contact Publicist Contact form on Mon, December 11, 2017 - 7:37 am.
>
> Name: Virginia Hughes
>
> Email: [redacted]
>
> Subject: Sexual harassment and Lawrence Krauss
>
> Message: Hi,
>
> We are journalists at BuzzFeed News, reporting an investigation about sexual harassment allegations against Lawrence Krauss between 2006 to 2016.
>
> Much of the story revolves around his conduct in the skeptics movement, and about how skeptic organizations — particularly CFI — have handled complaints about his behavior.
>
> We wanted to give you — as a leader of the atheist movement and one of Krauss's collaborators — the opportunity to comment on these allegations.
>
> We plan to publish on Tuesday morning. Let us know soon if you'd like to comment.
>
> Ginny Hughes, Peter Aldhous, Azeen Ghorayshi

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ASU Origins Project
Arizona State University

From: Nicholas Ribis [redacted]
Sent: 1/4/2018 3:19:23 PM
To: Jeffrey Epstein [JEEvacation@gmail.com]
Subject: Michael Wolff: My Insane Year Inside Trump's White House

Importance: High

Read this
https://www.google.com/amp/s/www.hollywoodreporter.com/amp/news/michael-wolff-my-insane-year-inside-trumps-white-house-1071504

Sent from my iPhone

From: Richard Kahn [redacted]]
Sent: 1/23/2018 6:23:09 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Fwd: Alert: The 2017 Tax Reform Act

Importance: High

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TAX ALERT JANUARY 23, 2018

The 2017 Tax Reform Act - Key Provisions Impacting Fund Managers and Their Funds

For further information about this *Alert*, please contact:

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Please feel free to discuss any aspect of this *Alert* with your regular Sadis & Goldberg contact or with any of the partners whose names and contact information can be found at the end of the *Alert*.

The Tax Cuts and Jobs Act (the "Tax Act"), which was signed into law by President Trump on December 22, 2017, contains the most sweeping federal tax law changes since 1986. Most provisions of the Tax Act take effect for taxable years beginning on or after January 1, 2018. **This Client Alert is not intended to be a comprehensive review of this massive legislation. The Alert focuses on certain provisions of the Tax Act that may have the most significant impact on asset management firms, their owners, their investment vehicles, and the investors in such funds.** Certain changes made by the Tax Act are permanent but many others are scheduled to expire after 2025 unless extended by further Congressional legislation.

I. Carried Interest Survives in Modified Form

The Tax Act contains changes to the treatment of "carried interests", but such changes are not as negative as the prior legislative changes that had been proposed but never adopted. The granting of a "future profits only" interest in a partnership in connection with the performances of services to the partnership continues to be eligible for tax-free treatment under the new law. For certain owners of "Applicable Partnership Interests" (of the sort that would generally be issued by an investment partnership to the general partner), the Act applies a three-year holding period requirement for **capital gains** derived by the partnership (or from the disposition of the profits interest) to be eligible for the long-term capital gains tax rate (instead of the generally applicable one-year holding threshold).

The change in carried interest taxation clearly impacts managers of hedge funds more than managers of private equity funds or real estate funds, which typically have a longer than three-year holding period for investments in their portfolio companies or real estate assets. The new tax treatment applies to income realized in tax years beginning on or after January 1, 2018 and existing carried interests are not grandfathered. Thus, it appears that any unrealized capital gains which have already been allocated to a general partner on the books of the partnership would be subject to the new tax treatment at the time the partnership realizes such gains in 2018 or subsequent years.

Note, however, that the Tax Act does not change the current federal income tax treatment of carried interest allocations of "qualified dividends" to individuals, which are also taxed at long-term capital gains rates. The capital gains from the carried interest that fail to satisfy the new three-year holding period requirement are treated as "short-term capital gains" which are taxable at ordinary income rates.

The "Applicable Partnership Interest" held by the general partner or an affiliate should not include any portion of the partnership interest that is attributable to capital contributed to the partnership by the general partner. The exact manner on how such exception will apply will need to be addressed in future IRS notices or regulations to be issued. Limited partners holding capital interests in private investment funds are also not affected and therefore retain the one-year holding period requirement for long-term capital gain treatment.

Note also that the term "Applicable Partnership Interest" does not include an interest held directly or indirectly by a corporation and it currently appears that such exception includes holdings by both C corporations and S corporations. It is likely that further guidance will be issued on this question, as it may be advantageous for certain general partners to convert their existing entities that hold the carried interest to S corporations, and such general partners may have until March 15, 2018 to accomplish such conversion.

Managers of hedge funds and other partnerships that do not hold capital assets for more than three years before their sale may consider whether the carried interest incentive allocation should be replaced with an incentive fee structure. Also, the reduced after-tax value of a carried interest partnership allocation may impact the management company's executive compensation arrangements.

Although an earlier version of the tax legislation would have repealed the exemption in the Code which provides that a limited partner's income is exempt from self-employment tax, the final version of the Tax Act does not contain such change in law.

II. New 21% Corporate Income Tax Rate and Reduction of the Maximum Rates Applicable to Individuals

The Tax Act reduces the 35 percent corporate rate to a flat 21 percent corporate rate. There is no special higher rate for personal service corporations (as existed under prior law). The new 21 percent rate is effective for taxable years beginning on or after January 1, 2018. The corporate alternative tax (AMT) has also been repealed. Such corporate tax changes are permanent. In contrast, the highest applicable federal income tax rate for individuals and other non-corporate taxpayers is reduced from 39.6% to 37%. In addition, the 3.8% "add-on" Medicare contributions tax on an individual's net investment income remains in effect.

1. Possible Use of a "C" Corporation as a Tax Shelter

Since the new 21% corporate tax rate is now well below the highest rate applicable to high income individuals, some investment managers may conclude that some or all of their management entities that are pass through partnerships should convert to corporate form. In addition, certain partnership funds that are engaged in trade or business, such as active loan origination or real estate activities may find it advantageous to convert to corporate form.

The advantage to the corporate form of organization is that the C corporation's net income after taxes is not taxable to its shareholders until it is distributed (e.g., either as a dividend or as a redemption of stock (i.e., as a capital gain)). Corporations that are engaged in active businesses are able to retain and reinvest their earnings. Also relevant to choice of entity decisions is the fact that the Tax Act restricts the ability of individuals to deduct more than $10,000 in state and local taxes, but corporations can continue to deduct such taxes as under prior law.

However, there are certain anti-abuse provisions that remain in the Internal Revenue Code that limit the use of a C corporation as a tax shelter. Lurking in the Code is a provision which allows the Internal Revenue Service to impose a 20 percent additional "accumulated earnings" income tax on the "accumulated taxable income" of a corporation if such taxable income is allowed to accumulate "beyond the "reasonable needs of the business". There is a $250,000 safe harbor for most corporations, while personal service corporations are allowed a safe harbor of only $150,000. There is also a 20 percent tax on the "personal holding company income" (i.e., passive investment income) of certain closely held C corporations (i.e., when five or fewer individuals own, in the aggregate, more than fifty percent of the corporation's stock and at least 60 percent of the corporation's adjusted ordinary income is personal holding company income (e.g., passive investment income)). These penalty taxes on corporations have received little attention in recent decades. However, with the enactment of the sharply lower corporate tax rate, these anti-abuse rules are likely to become a significant focus of the IRS in its audits of tax returns of privately held corporations.

2. The New Deduction for Qualified Business Income of Pass Through Entities

Congress also wanted to provide an income tax rate reduction for those businesses that are organized as partnerships or S corporations or which are owned by sole proprietors. In order to meet this goal, the Tax Act provides an income tax deduction for individuals and other non-corporate taxpayers equal to (i) 20 percent of their domestic "qualified business income"; plus (ii) 20 percent of any qualifying dividends from real estate investment trusts, qualifying income from publicly traded partnerships, and gain derived from sale of such publicly traded partnerships that would be treated as ordinary income. Therefore, such deduction results in an effective federal income tax rate of 29.6% on such qualifying income for a top bracket individual. The deduction does not apply to investment income (i.e., capital gains, dividends (other than certain ordinary income dividends paid by REITs), and most interest income). In addition, it does not apply to reasonable compensation income and guaranteed payments paid to the taxpayer from the business.

The 20 percent of "qualified business income" deduction described in (i) above is also generally limited to the greater of either (a) 50% of the W-2 wages paid with respect to the qualified trade or business, or (b) the sum of 25% of the W-2 wages paid with respect to such business plus 2.5% of the unadjusted tax basis of all qualified business property of such business. Thus, if the partnership, S corporation or sole proprietorship does not pay "W-2 wages" and the second limitation is a minor amount or not applicable, the owner or pass through taxpayer's tax deduction would be a minor amount or zero.

Unfortunately, partners or owners of certain types of professional service businesses, including financial services providers, investment managers, brokers, consultants, lawyers and accountants (and others), are not permitted to claim the "qualified business income" deduction unless the taxpayer's adjusted gross income is below certain levels ($207,500 for individuals and $365,000 for married couples filing jointly). Even in such case, the benefit of the available deduction is phased out ratably as the taxpayer's income exceeds $157,500 if single, or $315,000 if filing a joint tax return. Therefore, fund managers organized as pass through entities are not likely to, and investment funds organized as partnerships will not, derive a significant benefit from this deduction.

III. ISSUES FOR PARTNERSHIP FUNDS

1. Repeal of Itemized Deductions Previously Available to Non-Corporate Taxpayers for Non-Business Investment Expenses

For 2018 through 2025, the Tax Act completely repeals the deductions previously allowed to individuals and other non-corporate taxpayers for "miscellaneous itemized deductions" (which were subject to a 2% floor and a phase-out rule under prior law). It is important to note that for individual investors in partnership funds that are not treated as engaged in a trade or business, the investor's share of the fund's investment expenses, including management fees, would now pass through as non-deductible miscellaneous itemized deductions. If the fund is properly classified as an active "trader" rather than a mere investor, then such expenses would be completely deductible as trade or business expenses. This Tax Act change obviously puts considerable strain on the fund manager and its tax advisors with respect to the trader vs. investor issue. At this time, there is a lack of clear guidance from the Internal Revenue Service on what level of trading activity is sufficient for a professionally managed fund to qualify as a "trader fund".

In cases where a partnership fund's expected activities are not likely to qualify for trader status or another trade or business, the fund's sponsor may find that US high net worth individuals may now prefer to invest in the offshore corporate feeder fund instead of the onshore partnership fund. The US income tax reason for this would be that since the offshore feeder is classified as a corporation for US tax purposes, its net income would be calculated under the rules applicable to corporations, for which there are no miscellaneous itemized deductions. Thus, assuming that the foreign feeder is a passive foreign investment company (PFIC), if the US high net worth shareholder is able to make the "qualified electing fund" election, the net income the investor would be required to report on his federal income tax return would be calculated after deducting all of the corporation's expenses, including management fees and investment expenses.

2. Non-US Partner's Gain on Sale of Partnership Interest may be Taxable as US Trade or Business Income; New Withholding Requirements apply to the Purchaser or the Fund

The Tax Act specifically provides that gains realized by a non-US partner on a sale or exchange of a partnership interest will be treated as effectively connected US trade or business income ("**ECI**") to the extent that such partner would have been allocated ECI had the partnership sold all of its assets. This provision is consistent with the IRS position in Revenue Ruling 91-32, and overrules a recent Tax Court case which had rejected the position taken in such IRS Ruling and instead held that since a partnership interest is treated as a capital asset, the foreign person's gain on its sale could escape US income taxation as a non-business capital gain.

To the extent that a partnership has any ECI-generating assets (including US real property interests), a seller of a partnership interest will have to provide a certificate that it is not a foreign person, and in the absence of such a certificate a purchaser (which could include the fund) will be required to withhold 10% of the gross purchase price. Further, the Tax Act provides that if the purchaser does not withhold, the partnership is required to withhold on distributions to such purchaser to cover the withholding. The Tax Act provides that the new withholding obligation for purchasers is effective for sales or other dispositions of partnership interests after December 31, 2017.

3. New Limitation on Deduction of Net Interest Expense

Under prior law, subject to some restrictions and limitations, business interest paid or accrued by a business was fully deductible. For taxable years beginning after December 31, 2017, the Tax Act limits the deduction for "net business interest" expense for every type of business, regardless of entity form, to 30 percent of adjusted taxable income. Business interest paid or accrued after the effective date on indebtedness, including debt that was incurred prior to the effective date of the Tax Act, is subject to this limitation.

The term business interest does not include investment interest described in Code section 163(d). Operating companies, such as management entities, and investment funds that are engaged in a business and have outstanding indebtedness could be subject to such deduction limitation. For this purpose, "adjusted taxable income" is determined at the entity level for partnerships, and is similar to EBITDA (i.e., net earnings before deducting interest expense, taxes, depreciation and amortization) for taxable years 2018 through 2021. A more restrictive 20% of EBIT limitation (net earnings before deducting interest expense and taxes) applies for 2022 and later years.

Certain taxpayers are exempted for the new interest deductibility limitation, including small businesses with average annual gross receipts of $25 million or less for the three prior taxable years, as well as real estate businesses that elect out of such limitation. The Conference Committee Report on the Tax Act clarified that interest paid on shareholder loans by a blocker corporation is "business interest" that is subject to this new limitation. Blocker corporations for a lending business would have business interest income, which reduces the effect of this new limitation on **net** business interest expense (i.e., deductible business interest expense in excess of business interest income).

4. Deemed Repatriation Tax

One of the major tax raising provisions in the Tax Act is a one-time tax imposed on the accumulated earnings held in foreign subsidiaries of US companies. This provision is broader that it may first appear. Under the Tax Act, **any** 10% US shareholder of a foreign corporation (determined on December 31, 2017) will be required to include in income, for the taxable year 2017, its proportionate share of the foreign corporation's undistributed earnings, if the foreign corporation is either a controlled foreign corporation (CFC) or has at least one 10% US shareholder that is a corporation.

This law change could generate significant phantom income with respect to 10%-or-greater owned foreign portfolio companies both (i) for US taxable investors (including the general partner and its owners) in partnership funds organized in the United States and/or for US sponsors of non-US funds. The Tax Act provides for reduced tax rates on such income for corporate investors of 8% (for earnings invested in tangible business assets) and 15.5% (for cash and cash equivalents), and 9.05% and 17.54% for investors taxed as individuals.

5. Tax-Free Section 1031 Like Kind Exchanges Eliminated Except for Real Property Transactions

The Tax Act eliminates the ability to qualify for tax-free exchange treatment under Code section 1031 if the property being exchanged is **personal property**. Consequently, for transactions occurring after December 31, 2017, exchanges of artwork, equipment, vehicles or other personal property held for investment or for use in a business, including Bitcoin or other cryptocurrencies, for like kind property will not eligible for Section 1031 tax treatment. Exchanges of real property continue to be eligible for Section 1031 exchange treatment.

6. Certain Tax Accounting Rules Have Been Revised

Under prior law, net operating losses (NOLs) could be carried back two years and carried forward for twenty years. Under the Tax Act, NOLs arising in tax years ending after December 31, 2017 generally cannot be carried back, but can be carried forward indefinitely. However, only 80% of a company's taxable income is permitted to be offset by NOLs. The remainder of the unused NOLs will carry forward.

The Tax Act also expands the category of corporations and partnerships that are eligible to use the cash method of accounting. Certain businesses may derive a tax benefit by switching from the accrual method to the cash method of accounting.

7. Deferred Compensation

The Tax Act generally leaves the current tax rules for deferred compensation intact. However, the Act also includes a new deferral provision for certain types of broad-based employee equity, which may apply to certain private companies.

8. Estate and Gift Tax Changes

In 2017, an individual could give or transfer at death up to $5,490,000 without paying gift or estate taxes. The Tax Act doubles the federal estate and gift tax unified exemption amount for estates of decedents dying and gifts made after December 31, 2017, and inflation adjustments will continue to apply. Therefore, in 2018, an individual has approximately an $11.2 million exemption, and a married couple has approximately $22.4 million of available shelter from federal gift and estate taxation. Note that the large exemption which applies to gifts may be useful in federal income tax planning. For example, large lifetime gifts of appreciated securities, artwork and other personal property (including possibly, a carried interest) to relatives who are in lower income tax brackets, or who reside in states with lower, or no state income taxes could save the family substantial federal income and/or state income taxes when such property is sold by the recipient of the gift.

Sadis & Goldberg LLP

Please feel free to discuss any aspect of this *Alert* with your regular Sadis & Goldberg contact whose names and contact information are provided below.

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Sent by sgalert@sglawyers.com

From: Richard Kahn [redacted]
Sent: 1/26/2018 5:29:23 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: I did NOT have sex with the president: Nikki Haley swats down 'disgusting' rumor she had affair with Trump after author Michael Wolff hints at an affair

Importance: High

http://www.dailymail.co.uk/news/article-5316779/Haley-denies-disgusting-rumors-affair-Trump.html

Richard Kahn
HBRK Associates Inc.
575 Lexington Avenue 4th Floor
New York, NY 10022
tel [redacted]
fax [redacted]
cell [redacted]

From: Kathy Ruemmler [redacted]
Sent: 2/24/2018 3:36:08 AM
To: jeevacation@gmail.com
Subject: Lawyer for Susan Rice: Obama administration 'justifiably concerned' about sharing intel with Trump team - POLITICO

Importance: High

https://www.politico.com/story/2018/02/23/susan-rice-lawyer-obama-administration-classified-intelligence-michael-flynn-trump-423437

From: Carolyn Rangel [[redacted]
Sent: 3/13/2018 4:21:17 PM
Subject: Weekly Update
Attachments: image001.png; image002.jpg; image003.png; image004.jpg; image005.png; image006.jpg; image007.jpg; image008.jpg

Importance: High

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Learn to meditate and discover what truly nourishes your entire being.

SFGATE
Published on Monday, March 12, 2018

I Never Feel Like Less of an American ...

I never feel like less of an American than when idealistic teenagers call for gun control, and I know Congress won't let it happen.

I never feel like less of an American than when the richest people abandon the poorest.

I never feel like less of an American than when a President lies, and his supporters applaud.

Sometimes it takes the experience of shame to galvanize change, and this is such a time. Having lived too long on the self-image of "America is the greatest, richest, most powerful country in the world," we produced Trumpism, which has shattered that image. It's been a traumatic experience. Mature adults are supposed to be resilient in the face of difficult challenges, but a person can bend only so far. That's why one sees an outraged Resistance, moving from "He's not my President" to "Is this even my country?"

If as we often hear, America isn't a place on the map but an idea, the idea is in trouble. Every day I'm reminded of Sinclair Lewis's 1935 novel, *It Can Happen Here*, which imagined the election of a Fascist to the presidency. As tumultuous as the Thirties were, fascism didn't happen here. In fact, the New Deal and the inception of a social safety net came about. But reactionary forces simmer away when they aren't at a boil. Who would have thought that the leader of the House in 2018 wants to weaken the social safety net by "saving" Social Security and Medicare?

A survey of 117 historians recently ranked Donald Trump the worst President in history, which seems right after only one year in office. But what makes me feel like less of an American is knowing that 40% of my fellow citizens love and approve of him, who have reservations, yes, but overall want his agenda to move ahead. In the daily fire hose of presidential offenses, little attention was paid to the revelation by Reince Priebus, former White House chief of staff, that however chaotic this Presidency looked from the outside, it was worse on the inside--fifty times worse.

Trumpism is the product of collective consciousness, and although one hears about "the wisdom of crowds," but when collective consciousness veers as close to lunacy as this administration, healing is the only answer. Reactionary forces, racists, white supremacists, and haters are like algae on the surface of a pond. Algae only appears if the pond is dank and still. When water is clear and flowing, there is no condition for algae to thrive in.

The remedies for healing America are flowing with more force than before. Notions like Medicare for all, free higher education, and bringing huge banks to heel were semi-fantasy in the last Presidential election. Now they are quickly moving mainstream. Ecological awareness is growing and unstoppable. There is a possibility that by destroying America's self-image, Trumpism has opened the way for facing reality, which after all is better than living up to a self-image that is hollow at the core.

In the meantime, each person needs to remain resilient and relevant. The structure of government moves slowly, and it took decades of incremental moves for the reactionary right to gain the power it presently holds tight. If the midterm elections don't restore sanity, then collective consciousness is more wounded than we imagine. Without a doubt Trumpism is horrifying, but the grievances it represents are real. Address those grievances honestly and with a clear conscience: that's the only remedy.

SFGATE

Archive of Deepak's Articles published by The San Francisco Chronicle.

The CHOPRA FOUNDATION
DEDICATED CONSCIOUS CARING

Archive of The Chopra Foundation published research articles: Research Papers

CNBC

Published March 12, 2018

4 easy ways to squeeze meditation into a busy day

By Deepak Chopra and Kabir Sehgal, Contributors

There is no doubt that you can benefit from daily meditation. It has several health benefits like reducing cortisol levels that cause stress, lessening blood pressure, and slowing the heart rate. Besides these physiological effects, it can also have a positive impact on your work life, by increasing your attention span, deepening your focusing, catalyzing your creativity, and making you a better listener.

Given all these constructive outcomes, meditation should become an integral and required part of your day. But finding the time to actually engage in this practice can be difficult, so here are a few ways you can incorporate mindfulness exercises into your day.

First, a morning ritual

When you wake up, you're already in a quiet room in which you feel relaxed. This might be the last time you're surrounded by silence, so take five minutes and practice breathing in and out. Notice the sound of your breath as you inhale and exhale. Imagine the air rushing into your mouth and filling your lungs, and then picture it leaving your body and filling the room.

Instead of hitting the snooze button, sit up right and fill your morning with peace. These few minutes of mindfulness will prepare you for your busy day to come. Pretty soon, you'll get so used to meditation in the morning, that you won't want to start your day without it.

Second, a morning commute

If you take public transportation like a bus or the subway, you can use these moments for practicing meditation. To be sure, you might be disturbed by the noise of other people taking and public-address announcements.

But by simply closing your eyes and taking long breaths, you will inevitably retreat into a cocoon where you pay less attention to the sounds around you and train your mind on taking deep breaths. When you finally open your eyes, you will feel a sense of accomplishment, that you have gone somewhere on your commute that few others have – to a place of higher consciousness.

Third, a lunch retreat

When your colleagues and clients go to lunch, you can take advantage of this quieter period of the day. If you have your own office, you can close the door and spend five minutes again practicing breathing in and out. If you work in an open-office where you have limited privacy, you could either steal away into a conference room or bathroom to find a few moments of peace.

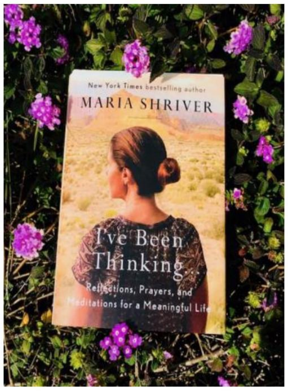
Some forward-thinking firms like General Motors, Google and Intel encourage employees to practice meditation, and some even have rooms and facilities on their campuses dedicated for this purpose. If you work at one of these companies, make sure to take advantage of these benefits.

Fourth, a night time ritual

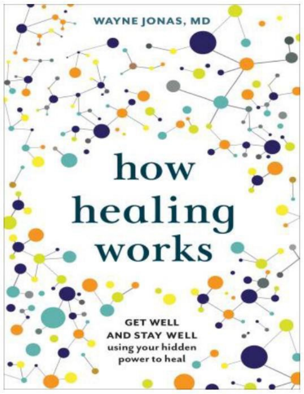
Before your turn down your bed and go to sleep, try spending a few minutes sitting upright on your bed and practicing your breathing. You will find that when you are engaged in deep breathing exercises, it will help still your thoughts and prepare you for a better night sleep. A night time practice of meditation might make you feel better rested in the morning too.

We are currently reading:

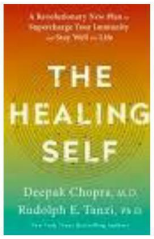
This quote from my friend @mariashriver on her new book, *I've Been Thinking...Reflections, Prayers, and Meditations for a Meaningful Life*:
"No matter how busy you are, carve out time in your day to get calm, to think, to reflect, to be present."


New York Times bestselling author
MARIA SHRIVER
I've Been Thinking
Reflections, Prayers, and Meditations for a Meaningful Life

How Healing Works, Dr. Wayne Jonas lays out a revolutionary new way to approach injury, illness, and wellness.


WAYNE JONAS, MD
how healing works
GET WELL AND STAY WELL using your hidden power to heal

Carolyn Rangel
President, Deepak Chopra LLC
[redacted]
Tel: [redacted]
www.deepakchopra.com


THE HEALING SELF
Deepak Chopra, M.D.
Rudolph E. Tanzi, Ph.D.

National Best-seller: **The Healing Self: A Revolutionary New Plan to Supercharge Your Immunity and Stay Well for Life**

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JOSEPH J. TOMASEK

March 23, 2018

Via Email
Darren K. Indyke, Esq.
Darren K Indyke, PLLC
575 Lexington Avenue- 4th floor
New York, NY 10022

Re: Jeffrey Epstein

Dear Mr. Indyke:

As you are aware, our firm represents TowersInvestors.com, Inc and Mr. Steven Hoffenberg.

Mr Hoffenberg, through his long term contacts, as set forth below, believes he can assist Mr. Epstein in resolving his existing disputes with the Federal government without any jail time and to arrange for the sale of his financial business interests.

Governor Ben Barnes is prepared to meet with President Trump with respect to obtaining an agreement with the Federal government.

Gary Baise, a Washington, D.C based attorney who has worked as senior attorney in the Department of Justice, is working with us and will meet with the Department of Justice to obtain an advantageous agreement in exchange for Mr. Epstein's cooperation.

Lastly, Don Engel, who Mr. Epstein knows, who worked with Michael Milken at Drexel Burnhan, will work with Goldman Sachs to take over Mr. Epstein's business NOW.

We strongly believe that Mr. Epstein will benefit substantially from the foregoing and will want to engage in mutually beneficial discussions.

I am attaching a draft of a Complaint which Mr. Baise will file through local counsel if we cannot reach a mutually beneficial agreement.

Please contact me at your earliest convenience.

Very truly yours,

The Mintz Fraade Law Firm P.C

By: Alan P Fraade
Alan P. Fraade

CC: TowersInvestors.com
APF/TSG
Encl. (1)

Deutsche Bank
Global Public Affairs

Global Political and Regulatory Risk in 2015 and 2016: What to Watch

November 4, 2015

Passion to Perform

Francis J. Kelly
Managing Director &
Global Coordinator, Public Affairs

"There cannot be a crisis next week. My schedule is already full."
- Former US Secretary of State Henry Kissinger

"Any idiot can face a crisis. It's day to day
living that wears you out."
- Anton Chekhov

"Formula for success: rise early, work hard, strike oil."
- J. Paul Getty, US businessman

The world is moving rapidly from the model we have lived within for 25 years. The where, why and what…

LONG TERM OUTLOOK:

- Geopolitical events are increasingly pressuring global markets and will continue to do so for the remainder of 2015 and well into 2016.

- Middle East serves as locus for key uncertainty and chaos. We continue to believe the region is at risk of remaining in turmoil for **30+ years** .

- We continue to see NAFTA nations as being seen as economic and political “safe havens” in large part to “Energy Renaissance.”

- China is going through intense political, economic and societal transformation – all of which could potentially overwhelm the chances of a successful outcome.

SHORT TERM (3-10 month) OUTLOOK:

- In the coming three to six months, three key events will likely happen and have a long term positive impact on markets:

➢ Approval and implementation of Iran nuclear negotiations

➢ Congressional approval of Trans-Pacific Partnership (TPP)

➢ US will approve repeal ban on export of crude oil/natural gas

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The US: Washington's 2015-2016 agenda - what to expect and why it will be important

- Despite the contrary and dramatic press accounts, Washington has been getting things done, a positive for the political process and the nation. It may have been messy but here is what they have gotten done so far this year:
  - **Trade Promotion Authority** (TPA)
  - **A federal budget**
  - **Iran nuclear deal**
  - **Debt ceiling**
  - **Medicare Payment & CHIP funding**
  - **Homeland Security funding**
  - **Debt ceiling raise**

But big policy items are unfinished:

- **Appropriations (by December 11th)**
- **Repealing oil export ban**
- **Highway bill**
- **Corporate Tax reform**
- **The Trans Pacific Partnership (TPP)**

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US corporate tax reform: have the seeds been planted and is there a deal to be done?

- The US Senate has worked on a possible tax package since January. But no clear consensus has emerged on a larger package.

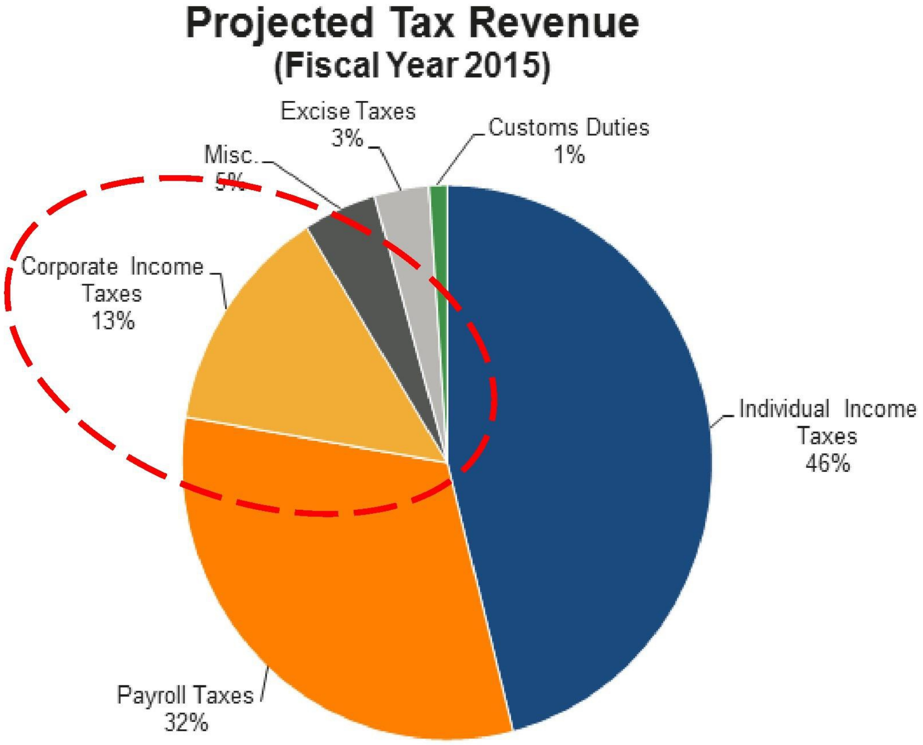
- The real focus is on corporate tax reform, spurred on by the inversion debate.

- In the Senate, a bipartisan bill was offered to encourage corporate profits abroad to repatriate at a significantly lower rate (the Portman-Schumer bill).

- In the House, a plan was offered in late July that would allow corporations to repatriate at a lower rate if they invested in “research and development” (the Boustany-Neal bill). The revenue from the deal would pay for the Highway Trust Fund – which needs money.

- What is interesting for both bills is what did not happen: The White House remained silent.

- Could Congress (in league with US Treasury) slip a major corporate tax report into the appropriations bill using the “Reconciliation” process?



Source: OMB

Deutsche Bank
Global Public Affairs

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Should hedge funds and private equity funds be worried about Washington? No.

- There continues to be chatter about dealing with carried interest. But chatter does not mean action and we see little actual movement toward raising the rates on carried interest through 2016.

- The new “tax reform” focused on hedge funds is projected to raise $11 billion a year. Somehow this gets done by allowing the IRS to audit hedge funds and find this amount of unreported revenue annually. Good luck with that.

- Private Equity has also been a focus of political chatter – maybe we see new regulation on the burgeoning “Shadow Banking” sector? Again, chatter is not action. There is little chance Congress or regulators will move aggressively in this space through 2016.

- But “Big Banks” continue to take it on the chin: In an effort to raise revenue for the Highway Trust Fund, Republicans have legislation moving forward that would drop the guaranteed interest rate banks receive for “investing” in the Federal Reserve – which they are required to do by law - from 6 percent to 1.5 percent. This will result in a significant drop in revenues for some of the biggest banks in the US.

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Can US banks get some regulatory relief? Taking care of small- and mid-sized banks and reforming the Fed

Senator Richard Shelby (R-AL), chair of the US Senate Banking Committee, has put forward a regulatory relief bill which:

- Raises the “Systemically Important” bar from $50 billion to $500 billion; Re-define small banks from $10 billion to $50 billion;
- Provides an exemption for banks under $10 billion of assets from the Volcker Rule;
- Requires the Federal Open Market Committee to release quarterly reports on economic conditions around the country, though the Fed chair would still testify before Congress semiannually;
- Creates an independent commission to evaluate the structure of the Federal Reserve Board system, including a review of the number and structure of the Fed's 12 districts and requires the Federal Reserve to publish a study every two years on its regulation and oversight of nonbanks;
- Requires the Government Accountability Office (GAO) to study the Federal Reserve’s regulation of systemically important institutions (SIFIs);
- Requires the President of the Federal Reserve Bank of New York to be nominated by the President and confirmed by the Senate. Also require3 the Fed to speed up the release of Fed minutes.

Some observers have suggested this bill will go nowhere; but we would not write it off so fast. Shelby is the master of the legislative process and there is some bipartisan support already for parts of his bill.

Housing reform: 2015 be the year of GSE reform?

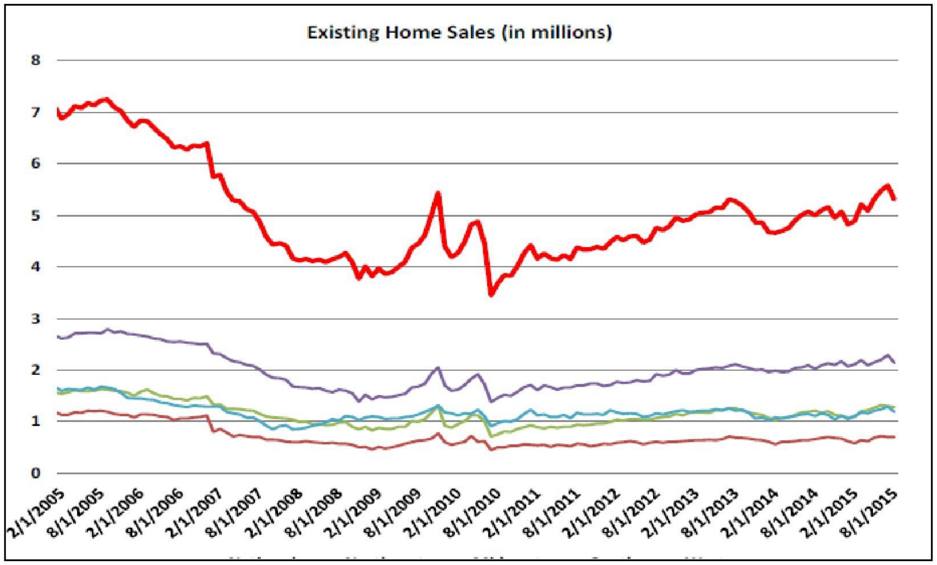
- After initial movement on bi-partisan legislation last year, this is a dead effort as indicated by Banking Committee member and advocate for GSE reform, Senator Bob Corker (R-TN): “Congress will ignore GSE overhaul for next 16 months.”

- Meanwhile, the housing market is moving on a number of fronts (we’ve seen this horror movie before):

✓ Fannie Mae launched their “HomeReady Mortgage” program: You can (again) use the income from non-borrower household members.

✓ Freddie and Fannie are working on a common Securitization Platform. Just for them (for now) but will eventually allow other participants. Question as to whether this is a transition to something new or simply securing the monopoly/duopoly of the GSE’s.

Existing Home Sales has increased 53.9% from its lowest level of 3.45 million in July 2010.



Source: Deutsche Bank

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The “Americas Decades” - The energy revolution keeps moving forward, the implications are enormous

- The NAFTA Bloc (US, Canada, Mexico) is emerging as a new “Super Bloc” for business, finance and energy.

- **Combined, the NAFTA Bloc is comprised of more than 500 million people, a $19 trillion economy and the largest energy capability in the world. Not to mention US and Canadian military superiority and reach globally.**

- Mexican government “got it” and amended their constitution; Canada has “gotten it” for quite some time (i.e. oil sands, Keystone Pipeline, etc.). US Congress now seeing strategic imperative (not to mention massive federal revenues).

- The local, national, regional and broader geopolitical implications of greater hemispheric energy independence are extraordinary and are already creating significant policy changes – and ruptures globally (i.e. Russia, Middle East, Venezuela, China, Iran).

➢ **Case in point:** If the Ukrainian crisis has done anything, it has intensely focused Washington (and Mexico City and Ottawa) on the need to rapidly build out natural gas and crude oil development and export capabilities.

➢ And, in the near future, can tariffs and fees on overseas sales help deal with the US deficit? There are a growing number of members of Congress who think it can. And will.

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The 2016 US election campaigns have begun…

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Yes, of course, we are already talking about the 2016 presidential elections…. A multi-billion dollar race?

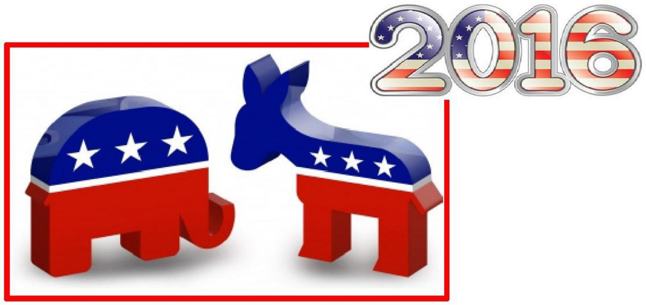
REPUBLICAN

Ex-Gov. Jeb Bush (R-FL)
~~Gov. Scott Walker (R-WI)~~
Senator Rand Paul (R-KY)
Dr. Ben Carson
Senator Ted Cruz (R-TX)
Gov. Chris Christie (R-NJ)
Gov. John Kasich (R-OH)
Senator Marco Rubio (R-FL)
Senator Lindsey Graham (R-SC)
Ex-Gov. George Pataki (R-NY)
ex-Senator Rick Santorum (R-PA)
Ex-HP CEO Carly Fiorina
Ex-Gov. Bobby Jindal (R-LA)
Donald Trump
Ex-Gov. Jim Gilmore (R-VA
~~Ex-Gov. Rick Perry (R-TX)~~

DEMOCRAT

Hillary Clinton
Senator Bernie Sanders (D-VT)
Ex-Gov. Martin O'Malley (D-MD)
Harvard Professor Lawrence Lessig
~~Sen. Elizabeth Warren (D-MA)~~
~~Ex-Senator Jim Webb (D-VA)~~
~~Ex-Governor Lincoln Chaffee (D-RI)~~

~~Vice President Joe Biden (?)~~



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So who would win if the general election were held today? Strangely, closer than you might think.

The November 4th RCP* average of major polls shows a surprisingly tight race between various Republican candidates and Democratic frontrunner Hillary Clinton.

GOP Candidate	vs. Hillary Clinton
Marco Rubio	**Clinton +0.4 (45.0 - 44.6%)**
Jeb Bush	**Bush +1% (44.6 – 43.6%)**
Donald Trump	**Clinton +2.2% (46 – 43.8%)**
Ben Carson	**Carson +5.2% (48.6-43.4%)**
Carly Fiorina	**Fiorina +1% (43.5-42.5%)**

*RCP = Real Clear Politics Aggregate Poll of major polls   Source: Realclearpolitics.com

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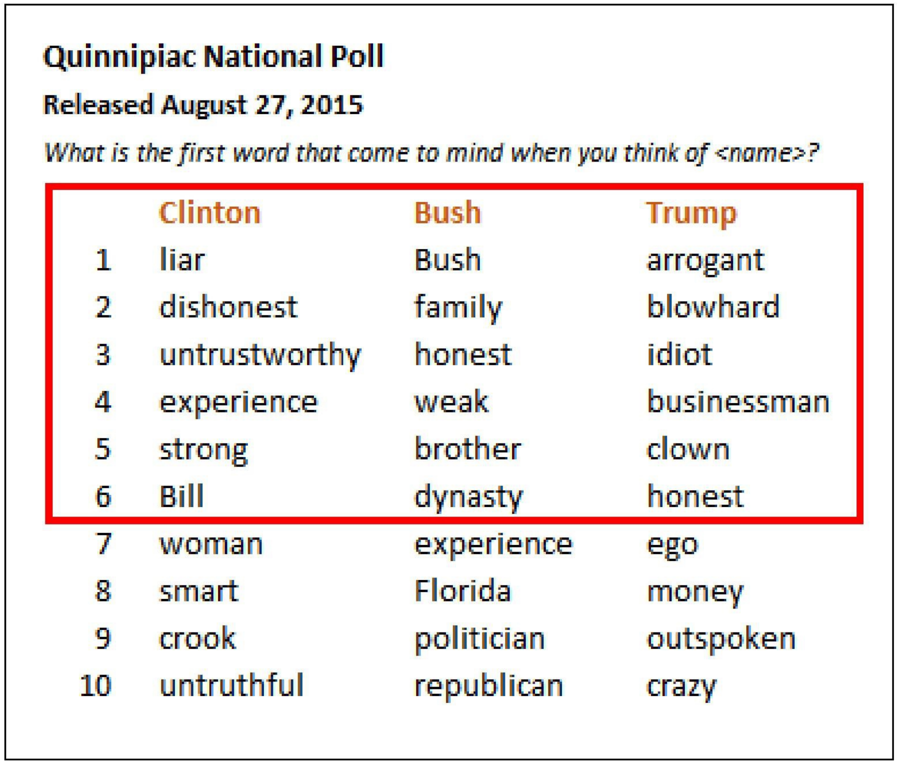
How does Clinton do vs. Republican opponents? And, please, tell me what you ***really*** think of Mr. Trump

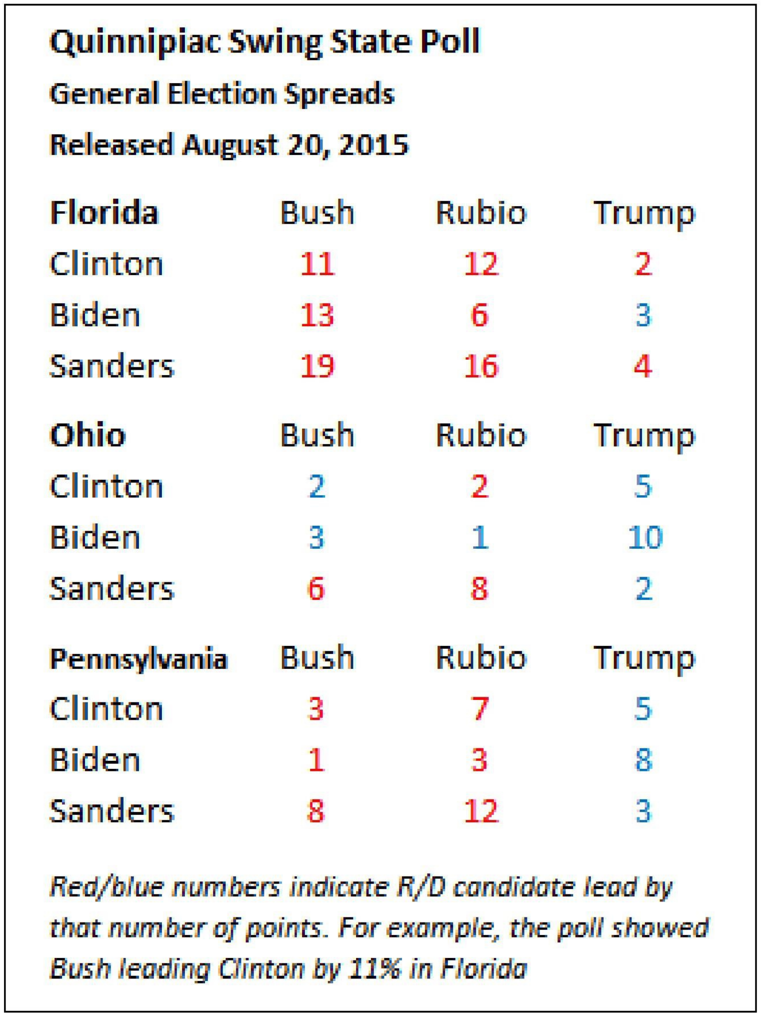


Quinnipiac National Poll

Released August 27, 2015

What is the first word that come to mind when you think of <name>?

	Clinton	Bush	Trump
1	liar	Bush	arrogant
2	dishonest	family	blowhard
3	untrustworthy	honest	idiot
4	experience	weak	businessman
5	strong	brother	clown
6	Bill	dynasty	honest
7	woman	experience	ego
8	smart	Florida	money
9	crook	politician	outspoken
10	untruthful	republican	crazy



Quinnipiac Swing State Poll

General Election Spreads

Released August 20, 2015

Florida	Bush	Rubio	Trump
Clinton	11	12	2
Biden	13	6	3
Sanders	19	16	4
Ohio	Bush	Rubio	Trump
Clinton	2	2	5
Biden	3	1	10
Sanders	6	8	2
Pennsylvania	Bush	Rubio	Trump
Clinton	3	7	5
Biden	1	3	8
Sanders	8	12	3

Red/blue numbers indicate R/D candidate lead by that number of points. For example, the poll showed Bush leading Clinton by 11% in Florida

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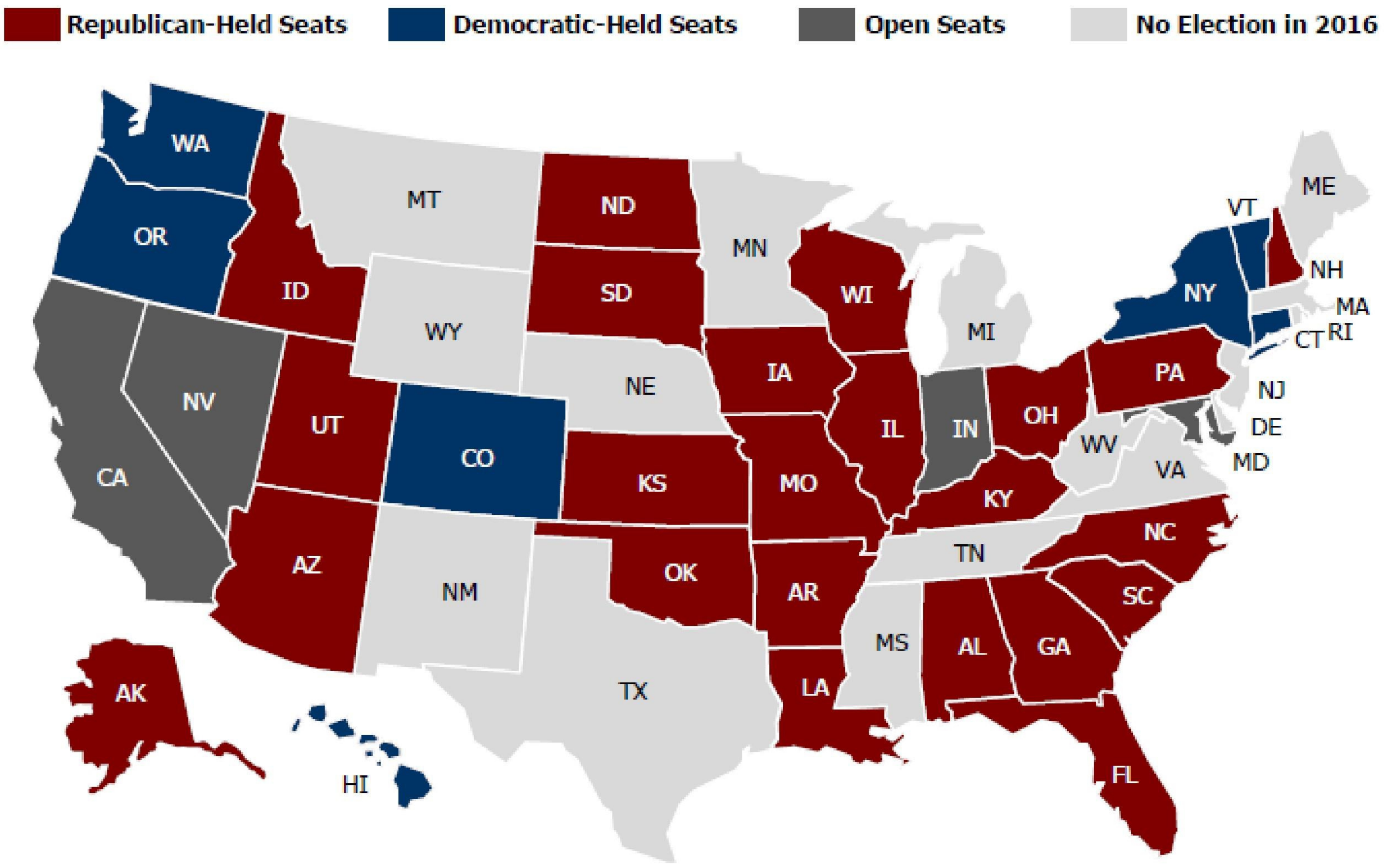
Source: Quinnipiac College

Whipsawed! Democrats may be poised to regain control of the Senate in 2016



Republican-Held Seats
Democratic-Held Seats
Open Seats
No Election in 2016
WA
OR
CA
NV
ID
MT
WY
UT
CO
AZ
NM
ND
SD
NE
KS
OK
TX
MN
IA
MO
AR
LA
WI
IL
MI
IN
OH
KY
TN
MS
AL
GA
FL
SC
NC
VA
WV
PA
NY
VT
NH
ME
MA
RI
CT
NJ
DE
MD
AK
HI

- 23 seats have Republican incumbents, 7 seats with Democratic incumbents
- There are 4 open seats: California, Maryland, Indiana and Nevada

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Source: National Journal

And remember: The primaries are six months away…

State	Date
Iowa Caucuses	January 18th
New Hampshire	January 26th
Colorado/Minnesota/New York/Utah	February 2nd
Nevada	February 6th
South Carolina	February 13th
North Carolina	February 16th
Michigan	February 23rd
Florida/Massachusetts/ Oklahoma/Tennessee/ Texas/Vermont/Virginia	March 1st
Louisiana	March 5th
Alabama/Mississippi/ Ohio	March 8th
Illinois/Missouri	March 15th
Arizona	March 22nd

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The geopolitical outlook: Growing regional tensions will not get any better in 2016

THE SECTARIAN BALANCE OF POWER IN THE MIDDLE EAST
MOROCCO
TURKEY
SYRIA
LEBANON
JORDAN
IRAQ
IRAN
PAK
EGYPT
KUWAIT
BAHRAIN
QATAR
UAE
SAUDI ARABIA
SUDAN
YEMEN
Saudi-led Arab camp
Iran-led Shiite camp
Non-Arab Sunni states
Battlegrounds
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FORA DILMA
170

Deutsche Bank
Global Public Affairs

Francis J. Kelly
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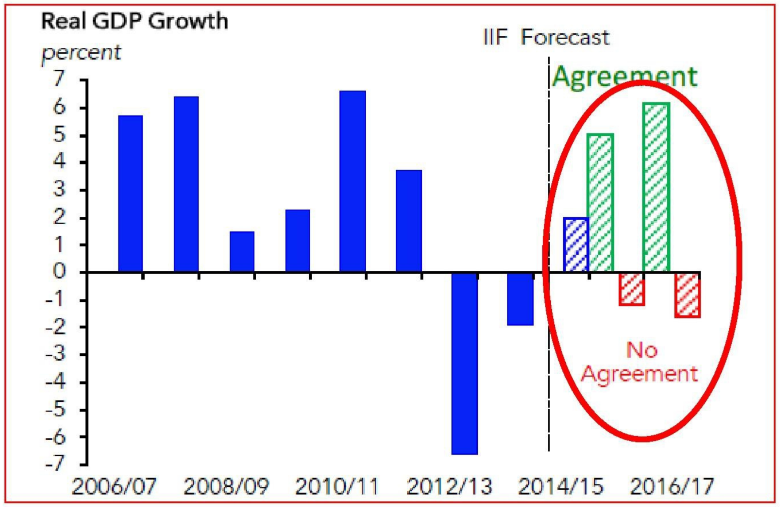
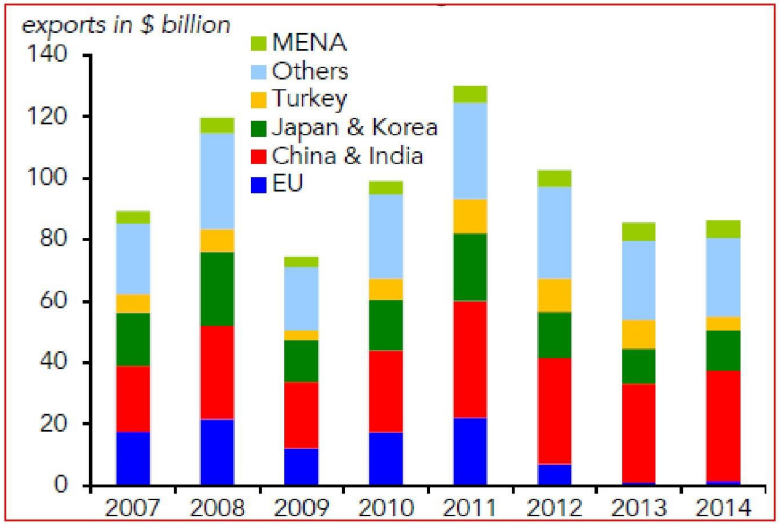
Iran: US Congress will not stop nuclear deal; EU already moving forward – fast. What's next?

- P5+1 and Iran reached a deal. Big obstacle has been overcome: Enough US Senators support to ensure it can move forward.
- Saudi Arabia "supports" the deal. The Saudi king was in DC last month. US has quietly promised nuclear protection and massive weapons sales.
- Market implications of a deal are significant, especially for European corporates eager to get back into Iran marketplace (i.e. Italian PM Renzi already visited Tehran as has German FM).
- Iran wants to build 400 four & five star hotels in next five to ten years.
- But do not expect any significant oil export increase and/or sales into Iran for at least 8 – 10 months. Iran must first comply and set up systems for inspections.





Source: IIF; IMF

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Yemen in crisis: a new global choke-point?

-13 percent of world’s oil travels through Gulf of Aden as it travels up through Suez Canal – almost all of it heading to Europe.

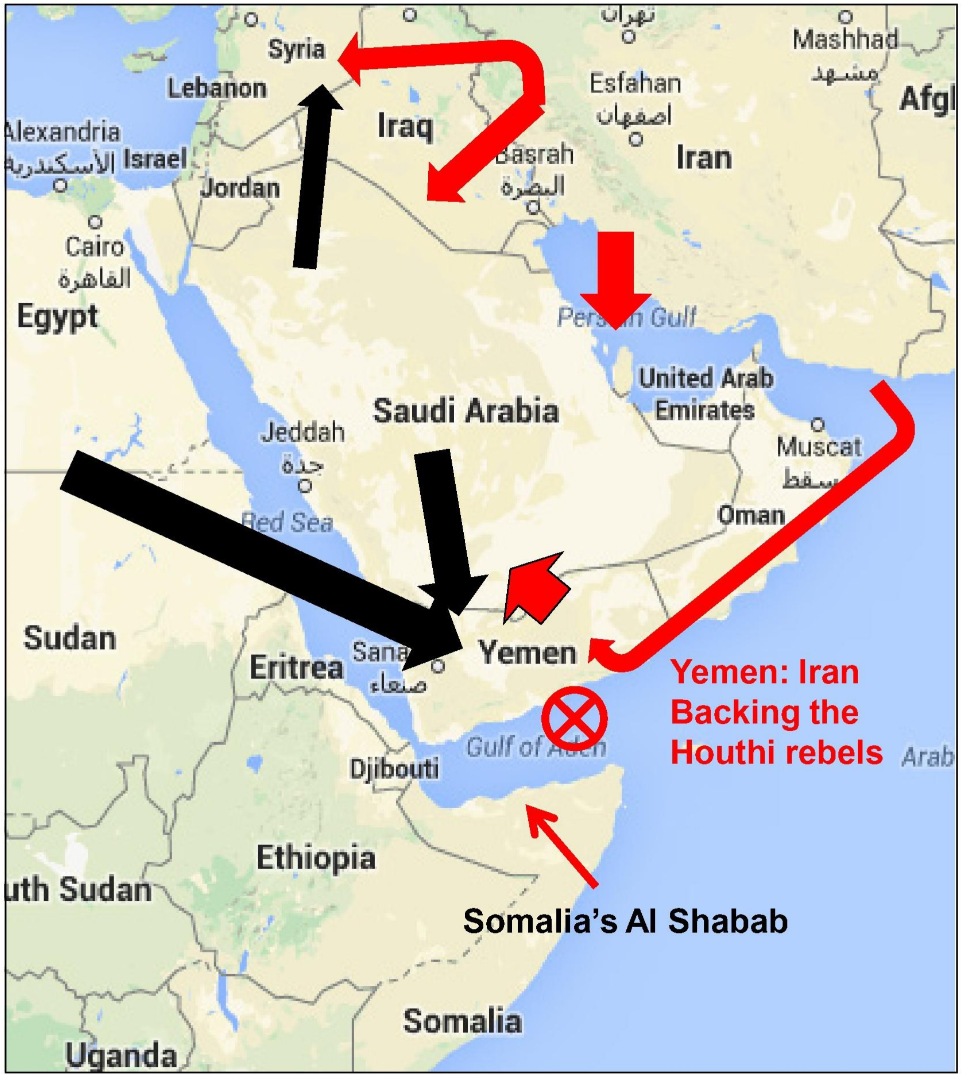
- Almost 8 percent of all world trade via shipping goes through Suez Canal.

- Iran is seen to be trying to build a “Shia Crescent.”

- Iran sees/fears being encircled by “Sunni Crescent.”

- If Yemen falls completely to Houthi tribal control – de facto, becoming an Iranian satellite – what threat does it pose to Saudi Arabia?

- Question: will a nuclear deal with Iran empower them regionally? Or will it further spur the Sunni nations to increase their defense efforts?


Syria
Lebanon
Israel
Jordan
Iraq
Basrah
البصرة
تهران
Esfahan
اصفهان
Iran
Mashhad
مشهد
Afgl
Alexandria
الأسكندرية
Cairo
القاهرة
Egypt
Persian Gulf
United Arab Emirates
Saudi Arabia
Jeddah
جدة
Muscat
مسقط
Oman
Red Sea
Sudan
Eritrea
Sana
صنعاء
Yemen
Gulf of Aden
Djibouti
Arab
Ethiopia
uth Sudan
Somalia
Uganda

Yemen: Iran Backing the Houthi rebels

Somalia’s Al Shabab

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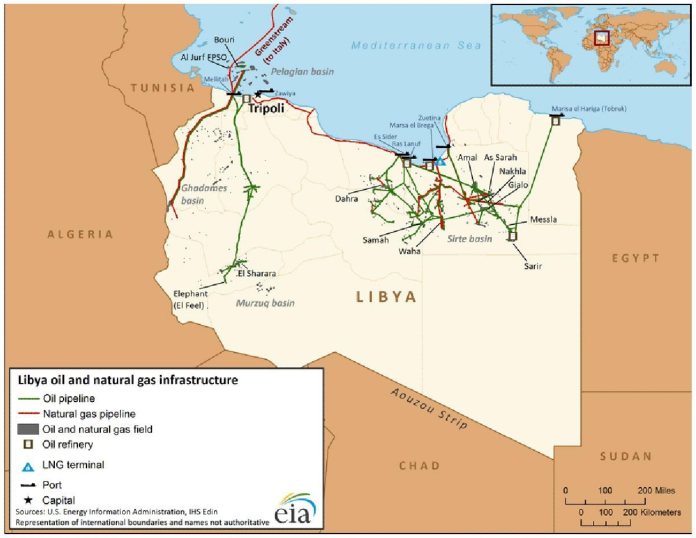
Libya: Is there any hope for peace or will it become a hub for regional instability and violence? No and yes

-The US/EU/NATO toppling of long-time strongman Muammar Gaddafi has led to a cycle of instability and continuous violence.

- It has also led to severe cuts in oil production and loss of significant revenue.

- More importantly, Gaddafi's massive weapons stocks have directly flowed to Boko Haram in Nigeria, terrorist groups in Mali and to arm other movements in Tunisia – as well as financing them via the sales and trading of these weapons.

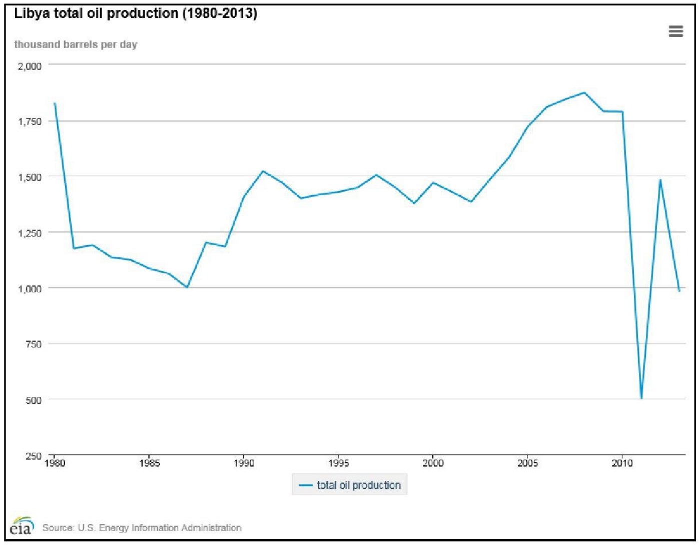
- The US and EU seem to have no strategy to deal with the situation. White House sources tell us "it has literally fallen off the table" as an issue of focus. Is this now Egypt's problem through which the US will send money/weapons?


Mediterranean Sea
TUNISIA
ALGERIA
LIBYA
EGYPT
CHAD
SUDAN
Aouzou Strip
Bouri
Al Jurf EPSO
Mellitah
Greenstream (to Italy)
Pelagian basin
Zawiya
Tripoli
Ghadames basin
El Sharara
Elephant (El Feel)
Murzuq basin
Dahra
Samah
Waha
Sirte basin
Es Sider
Ras Lanuf
Marsa el Brega
Zuetina
Amal
As Sarah
Nakhla
Gialo
Messla
Sarir
Marsa el Hariga (Tobruk)
0 100 200 Miles
0 100 200 Kilometers

Libya oil and natural gas infrastructure

- Oil pipeline
- Natural gas pipeline
- Oil and natural gas field
- Oil refinery
- LNG terminal
- Port
- Capital

Sources: U.S. Energy Information Administration, IHS Edin
Representation of international boundaries and names not authoritative


Libya total oil production (1980-2013)

Source: U.S. Energy Information Administration

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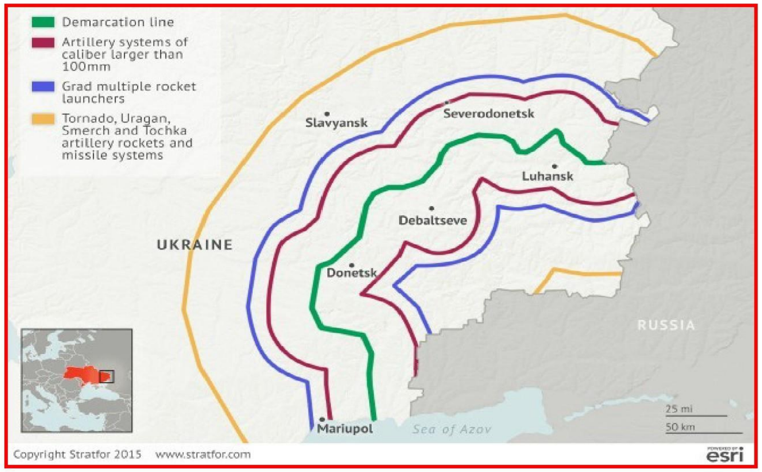
Conflict in Ukraine: is it all over but for the shooting?

- Moscow got what it wanted: securing the naval port in Sevastopol and creating a buffer state between Ukraine and Russia as well as keeping Kiev weak and unstable.
- But there has been a cost: Sanctions are crushing the Russian economy and Crimea has become a giant money pit for Putin to pour rubles into. A complete economic mess.
- However, do not exclude possibility of more violence in Ukraine or elsewhere in the region.
- Still waiting for any significant financial aid or military relief from EU or US. Word to the wise: do not hold your breath.
- One other conflict is now drawing in Russian troops: Syria. Russian pilots are now flying missions with Syrian Air Force.

Ukraine Lines of Withdrawal



Demarcation line
Artillery systems of caliber larger than 100mm
Grad multiple rocket launchers
Tornado, Uragan, Smerch and Tochka artillery rockets and missile systems
Slavyansk
Severodonetsk
Luhansk
Debaltseve
UKRAINE
Donetsk
RUSSIA
Mariupol
Sea of Azov
25 mi
50 km
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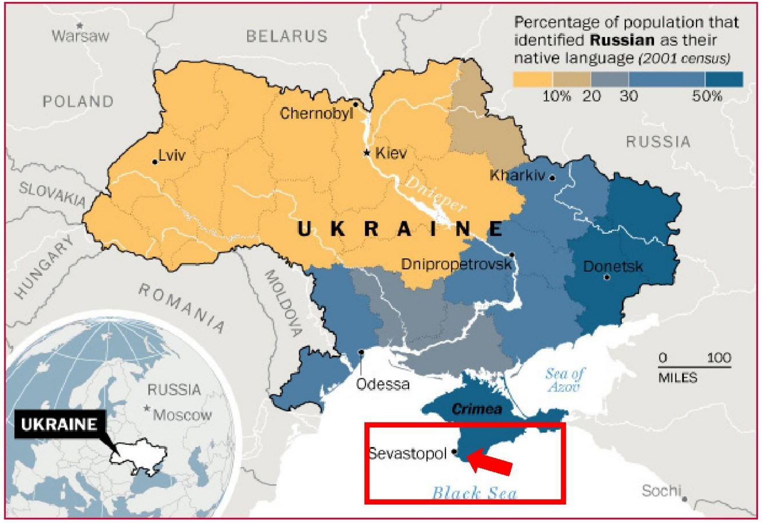
esri

Russian vs. Ukrainian Speakers in Ukraine



Percentage of population that identified **Russian** as their native language *(2001 census)*
10% 20 30 50%
Warsaw
BELARUS
POLAND
RUSSIA
Chernobyl
Lviv
Kiev
Kharkiv
SLOVAKIA
Dnieper
U K R A I N E
HUNGARY
Dnipropetrovsk
Donetsk
ROMANIA
MOLDOVA
0 100 MILES
Odessa
Sea of Azov
RUSSIA
Moscow
UKRAINE
Crimea
Sevastopol
Black Sea
Sochi

Source: Washington Post; IIF, National Bank of Ukraine

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Russia: Return of the empire or death of a nation?

- Russia covers nine time zones and almost 7,000 miles end to end.

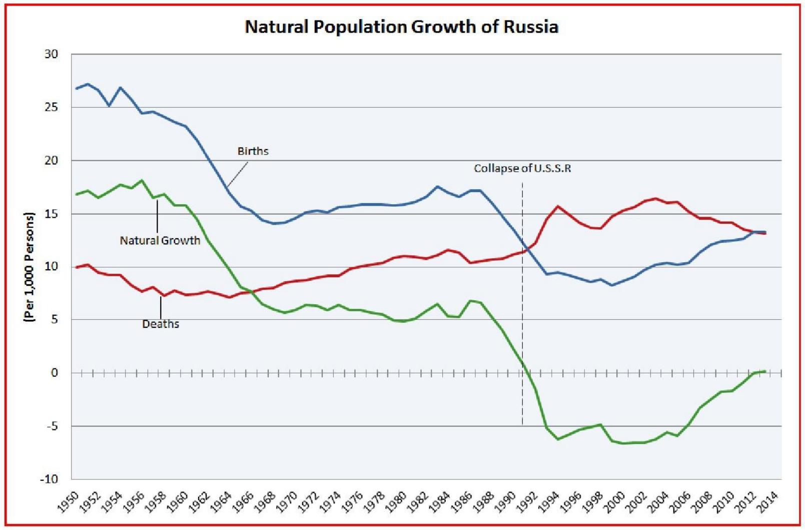
-The current Russian population:143 million. With the annexation of Crimea: 146 million.

- By 2030, the Russian population will have shrunk to136 million.

- By 2050, it will likely have shrunk to below 120 million and perhaps as low as 115 million (roughly the size of Mexico or Philippines today).

- Putin has also promised to increase military spending by $770 billion between now and 2020.

- Putin has also overseen the building or reconstruction of 23,000 Russian Orthodox Churches. And urged Russians to have lots of children (offering financial incentives).



Natural population growth of Russia since 1950

🟦 Birth rate 🟥 Death rate 🟩 Natural growth

Sources: United Nations; American Enterprise Institute; Globe & Mail

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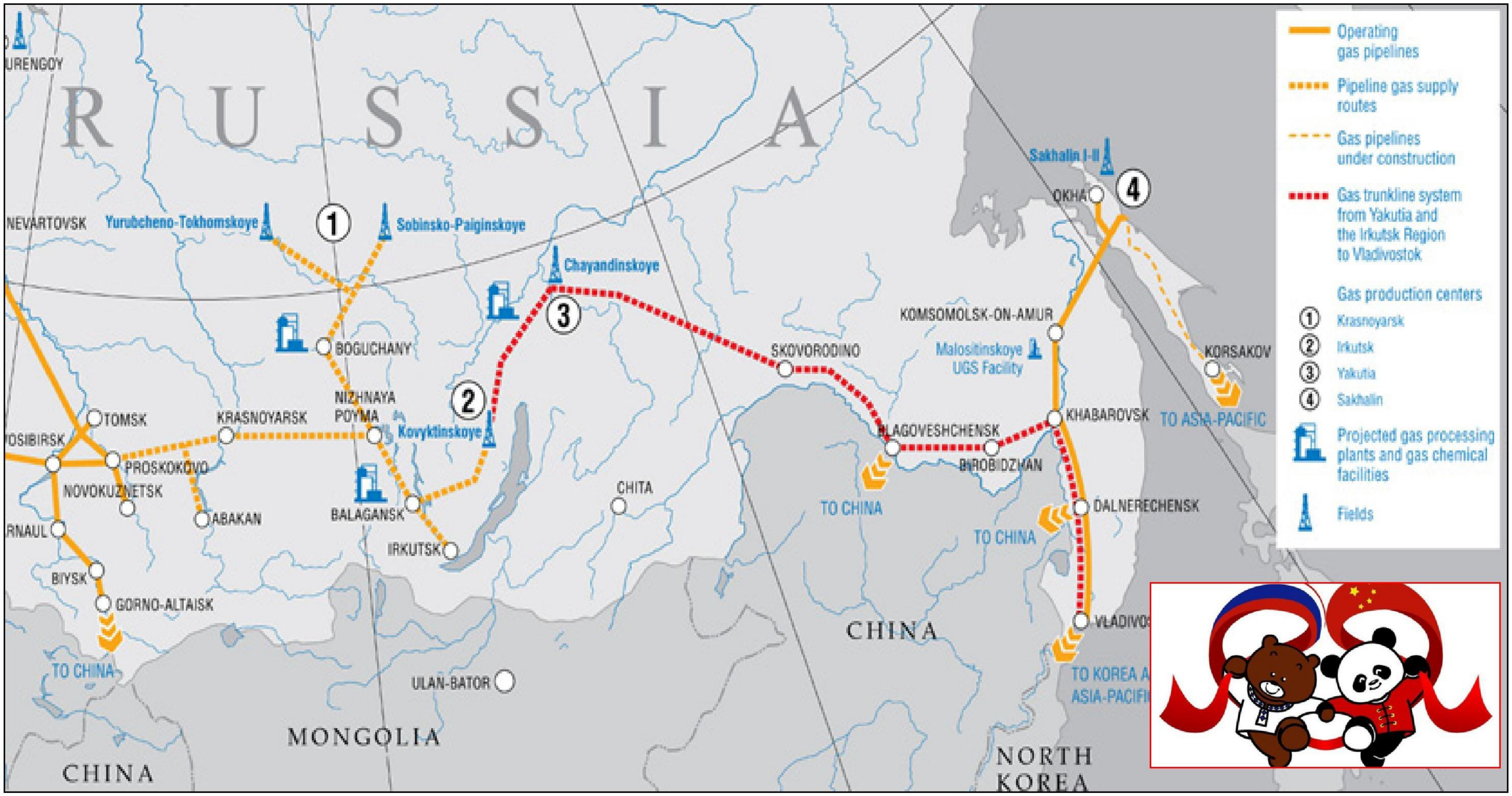
Washington is watching this deal: A Sino-Russian oil and gas alliance?

Russian President Putin inked a $400 billion deal with China in May 2014


RUSSIA
URENGOY
NEVARTOVSK
Yurubcheno-Tokhomskoye
1
Sobinsko-Paiginskoye
Chayandinskoye
3
BOGUCHANY
NIZHNAYA POYMA
2
Kovyktinskoye
TOMSK
KRASNOYARSK
OSIBIRSK
PROSKOKOVO
NOVOKUZNETSK
ABAKAN
BALAGANSK
IRKUTSK
RNAUL
BIYSK
GORNO-ALTAISK
TO CHINA
CHITA
ULAN-BATOR
MONGOLIA
CHINA
SKOVORODINO
BLAGOVESHCHENSK
BIROBIDZHAN
TO CHINA
TO CHINA
KOMSOMOLSK-ON-AMUR
Malositinskoye UGS Facility
KHABAROVSK
DALNERECHENSK
VLADIVOS
TO KOREA A
ASIA-PACIFI
NORTH KOREA
CHINA
Sakhalin I-II
OKHA
4
KORSAKOV
TO ASIA-PACIFIC
Operating gas pipelines
Pipeline gas supply routes
Gas pipelines under construction
Gas trunkline system from Yakutia and the Irkutsk Region to Vladivostok
Gas production centers
① Krasnoyarsk
② Irkutsk
③ Yakutia
④ Sakhalin
Projected gas processing plants and gas chemical facilities
Fields

Source: Gazprom

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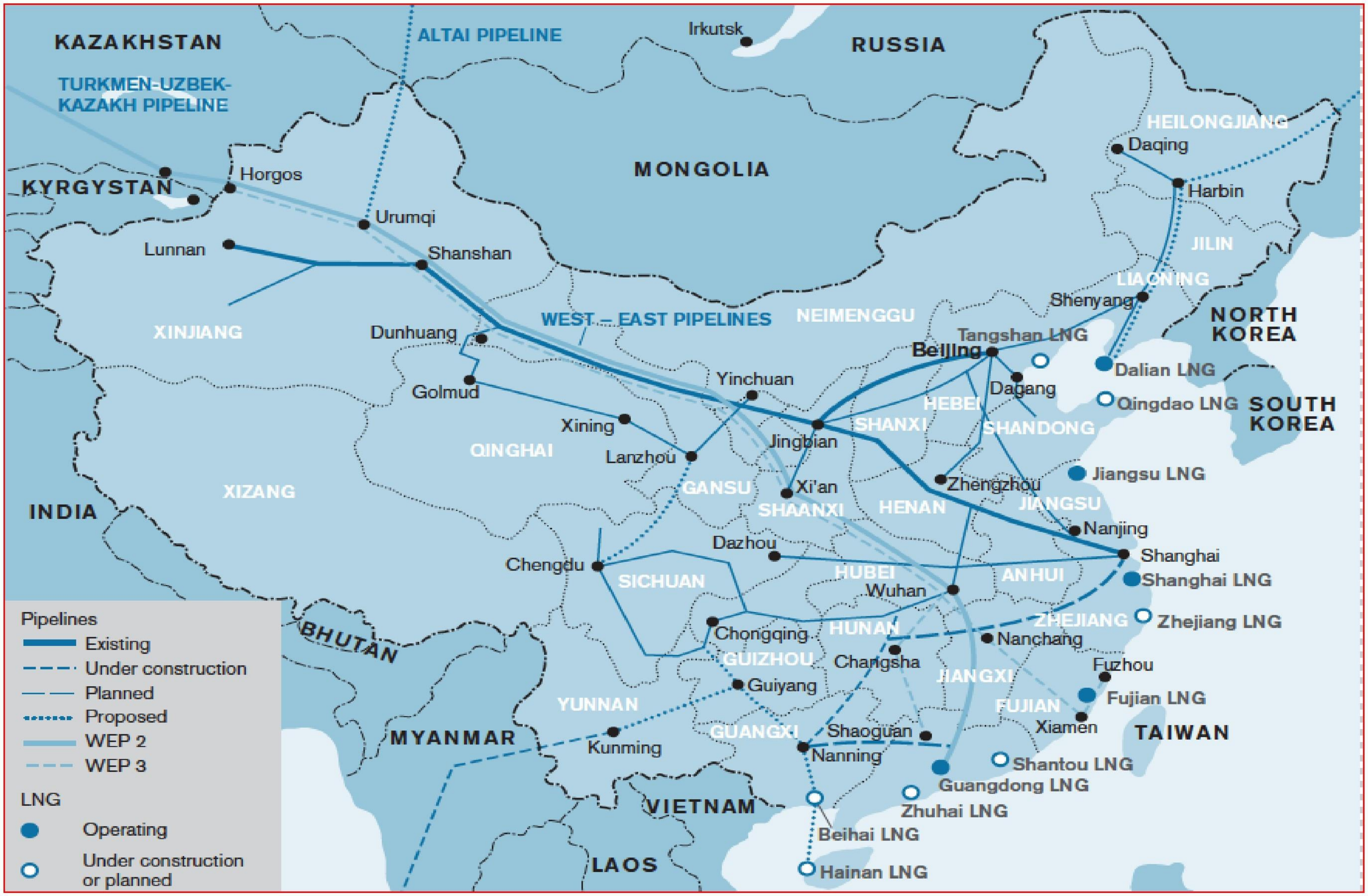
China's Siberian energy plans: 7,000 km of new pipe


KAZAKHSTAN
TURKMEN-UZBEK-KAZAKH PIPELINE
ALTAI PIPELINE
Irkutsk
RUSSIA
MONGOLIA
HEILONGJIANG
Daqing
Harbin
KYRGYSTAN
Horgos
Urumqi
Lunnan
Shanshan
JILIN
LIAONING
Shenyang
NORTH KOREA
XINJIANG
Dunhuang
WEST – EAST PIPELINES
NEIMENGGU
Tangshan LNG
Beijing
Dalian LNG
Dagang
Qingdao LNG
SOUTH KOREA
Golmud
Yinchuan
HEBEI
SHANXI
SHANDONG
Xining
QINGHAI
Lanzhou
Jingbian
Jiangsu LNG
Zhengzhou
XIZANG
GANSU
Xi'an
SHAANXI
HENAN
JIANGSU
INDIA
Nanjing
Dazhou
Shanghai
Chengdu
SICHUAN
HUBEI
ANHUI
Shanghai LNG
Wuhan
Pipelines
Existing
Under construction
Planned
Proposed
WEP 2
WEP 3
LNG
Operating
Under construction or planned
BHUTAN
Chongqing
HUNAN
ZHEJIANG
Zhejiang LNG
Nanchang
GUIZHOU
Changsha
Fuzhou
Guiyang
JIANGXI
YUNNAN
FUJIAN
Fujian LNG
MYANMAR
Xiamen
TAIWAN
Kunming
GUANGXI
Shaoguan
Nanning
Shantou LNG
Guangdong LNG
VIETNAM
Zhuhai LNG
Beihai LNG
LAOS
Hainan LNG

Source: Chatham House Paper: Through the Dragons Gate? 12/13

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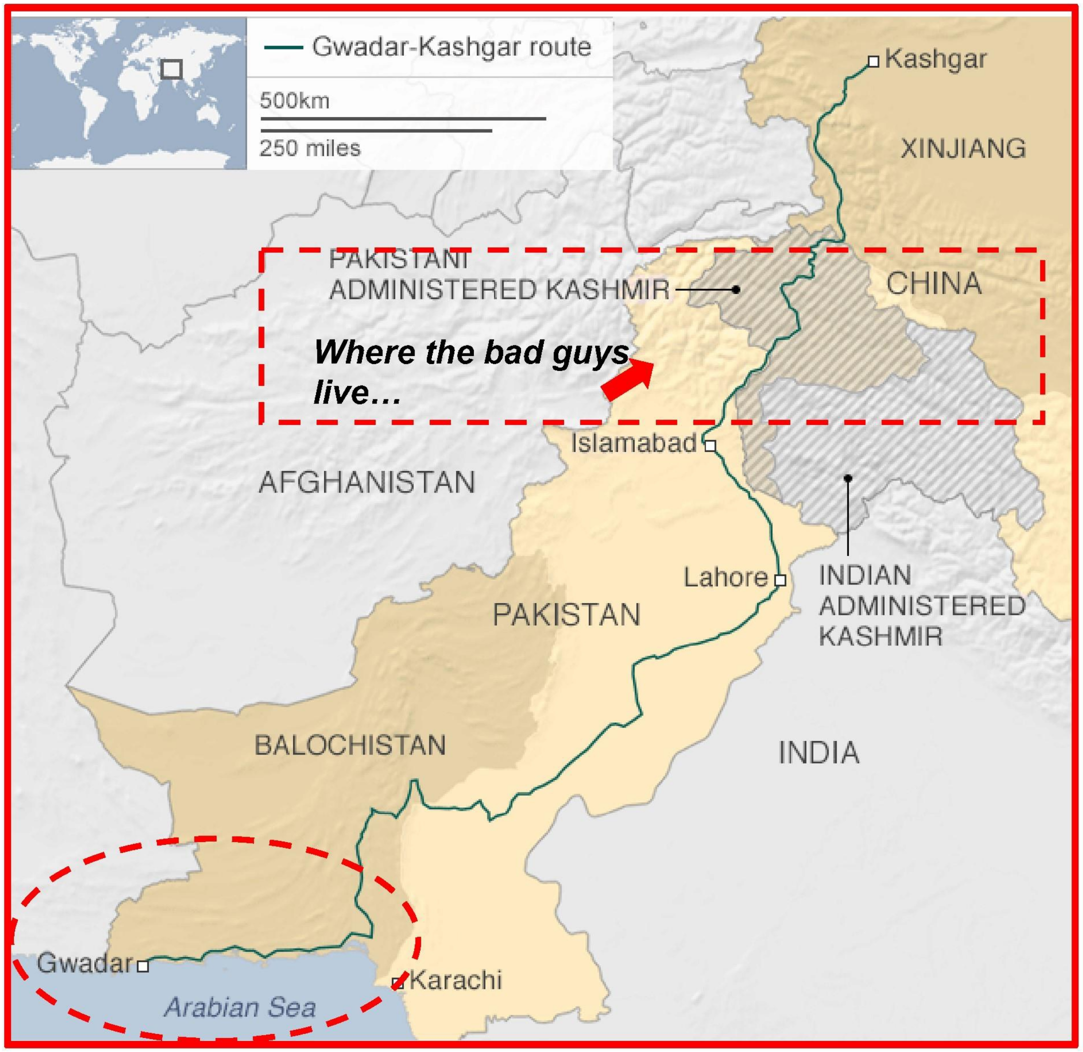
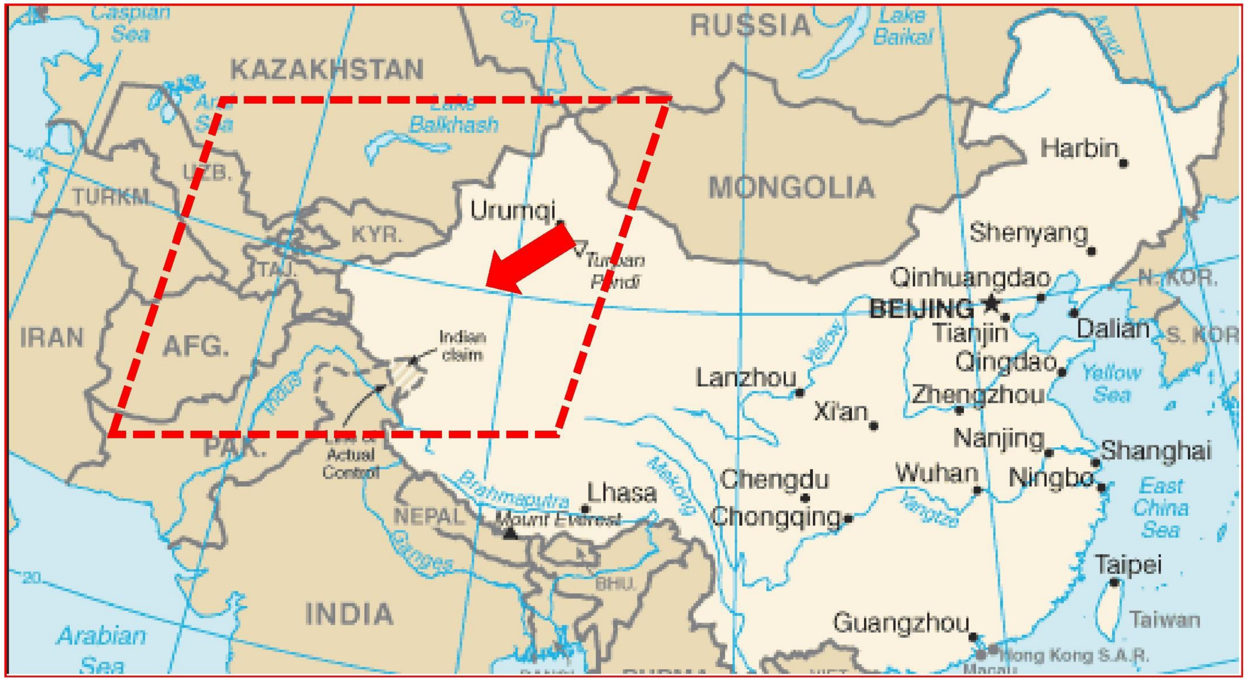
China goes big in Pakistan… $46 billion big…

- China, in an effort to counter India, build additional shipping points and expand trade, has just arranged for a $46 billion investment in pipelines from one end of Pakistan to the coastal city of Gwadar.
- India is not happy and we suspect al-Qaeda and ISIS in the northern region are not happy about this, either.
- Will China build a naval port, too? We believe so.


Gwadar-Kashgar route
500km
250 miles
Kashgar
XINJIANG
CHINA
PAKISTANI ADMINISTERED KASHMIR
Islamabad
AFGHANISTAN
Lahore
INDIAN ADMINISTERED KASHMIR
PAKISTAN
BALOCHISTAN
INDIA
Gwadar
Karachi
Arabian Sea

Where the bad guys live…

China and the evolution of revolution: Rise of radical Muslims in China's western provinces


Caspian Sea
KAZAKHSTAN
RUSSIA
Lake Baikal
Amur
Aral Sea
Lake Balkhash
UZB.
TURKM.
KYR.
TAJ.
IRAN
AFG.
PAK.
Urumqi
Turpan Pendi
MONGOLIA
Harbin
Shenyang
Qinhuangdao
BEIJING
Tianjin
Dalian
N. KOR.
S. KOR.
Qingdao
Yellow Sea
Lanzhou
Yellow
Xi'an
Zhengzhou
Nanjing
Shanghai
Indian claim
Indus
Line of Actual Control
Brahmaputra
Lhasa
Mekong
Chengdu
Chongqing
Wuhan
Ningbo
Yangtze
East China Sea
NEPAL
Mount Everest
Ganges
BHU.
INDIA
Arabian Sea
Taipei
Taiwan
Guangzhou
Hong Kong S.A.R.
Macau

- **China now has a rapidly growing radical Islam problem: Ethnic Uyghur's – who are Turkic speaking – feel badly repressed and left out of the Chinese economic growth**.

- They have become increasingly radicalized. Uyghur's are fighting with ISIS and al-Qaeda. More importantly, they are conducting more and more terrorist strikes within China. China now is seeking to engage in Afghanistan. And they have become a key partner to Pakistan in recent years.

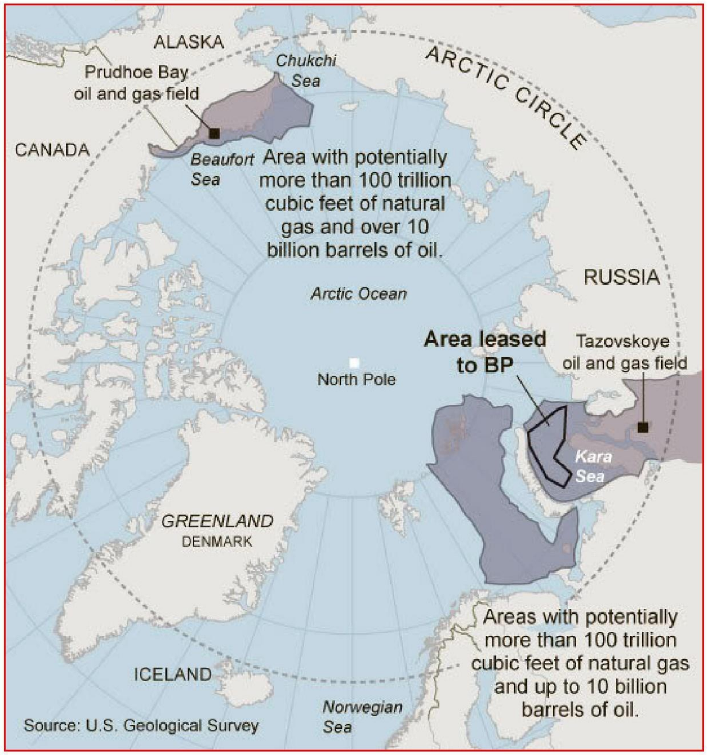
The new frontier: Drilling in the Arctic and race with Russia and China

- Once cold and forbidding, climate change has allowed multiple countries to see it as a massive new and untapped region for natural resources and critically important geopolitical/military vantage point.

- President Obama visited this week and both called for renewed climate strategy as well as ramping up Coast Guard capabilities to operate in the Arctic.

- Russian President Putin has placed great emphasis on Russian military presence in the Arctic. China is also trying to lay claim to region as part of their never-ending search for oil.

OBAMA STOP SHELL
GREENPEACE


ALASKA
Chukchi Sea
ARCTIC CIRCLE
Prudhoe Bay oil and gas field
CANADA
Beaufort Sea
Area with potentially more than 100 trillion cubic feet of natural gas and over 10 billion barrels of oil.
RUSSIA
Arctic Ocean
Area leased to BP
Tazovskoye oil and gas field
North Pole
Kara Sea
GREENLAND
DENMARK
Areas with potentially more than 100 trillion cubic feet of natural gas and up to 10 billion barrels of oil.
ICELAND
Norwegian Sea

Source: U.S. Geological Survey

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Cuba: we showed you the love, now show us the money

- President Obama's historic re-opening of diplomatic relations has set the stage for potentially significant new investment opportunities in Cuba. But we stress "potentially" as the Castro Brothers now seem to be slowing considerably with respect to any reforms.
- Meanwhile, the US Congress is going to make sure there is no funding of the US Embassy and will be vigilant on any new business licenses granted by US Treasury for banking or foreign trade with Cuba.
- What to watch for: Pope Francis – who was critical to the success of the negotiations – just finished visit to Cuba and US. Will there be further agreements to hasten better relations.

"That hoard of capitalist investor's should be arriving...just... about... now."

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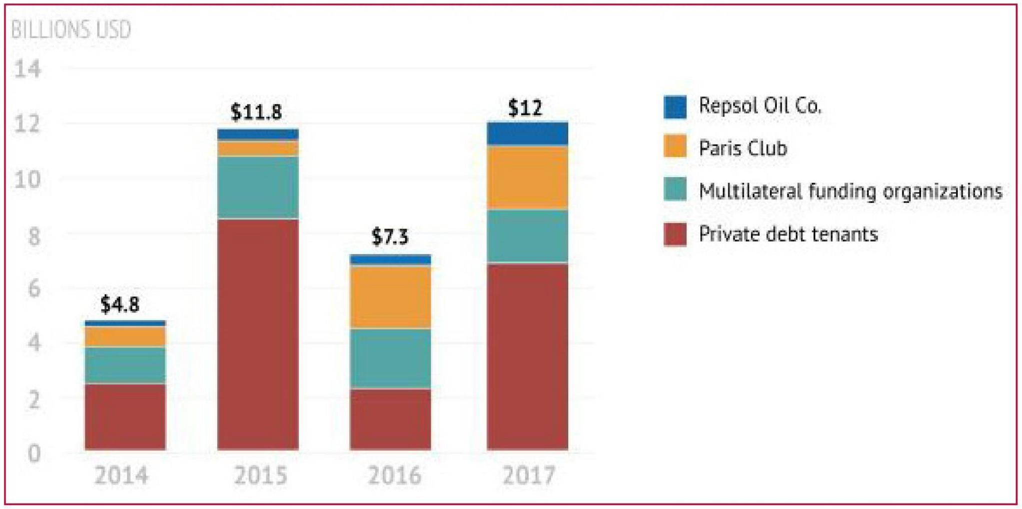
Argentina: Elections in October bring little clarity to future

- The August 9th mandatory open primaries (PASO) brought little clarity as to who will succeed President Cristina Kirchner in the October 25th elections. She has held office since 2007 and, before that, her husband held the presidency from 2003-06.
- Kirchner's handpicked successor, current governor of Buenos Aires province, Daniel Scioli (of the Peronist faction) leads in the elections held last week. But the 2nd and 3rd place finishers could band together to pull off a victory.
- The Argentine economy has seen zero growth this year. FDI has declined 41 percent and inflation stands at 30 percent. Voters remain deeply divided over which candidate and which economic policy to support. We expect continued problems for the foreseeable future.

"You're only going to get this much back. . ."

Inflation and recession are clobbering the average Argentinean.



Source: Straftor

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Venezuela: The spiral widens and intensifies… but there is some good news

- The Venezuelan legislative elections are only one month away (December 6th) and the country continues to be wracked by dysfunction, corruption and shortages of food, toilet paper, medicines, etc.
- The government has also banned a number of leading opposition figures from running for office and/or has placed them under house arrest.
- In the first half of 2105, their were reports of 132 lootings of stores and 2,800 protests*.
- Inflation is now estimated at over 800 percent, making it the highest in the world.
- Meanwhile, President Maduro has revived old border disputes with Guyana and closed the border with Columbia, causing significant social unrest.
- **So what is the good news**? There is a new and serious dialogue underway between the United States and Venezuela. Multiple high-level diplomatic visits have been undertaken in the last six months. A by-product of the US-Cuba rapprochement?

*source: Venezuelan Observatory for Social Conflict

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Managing Director & Global Coordinator, Public Affairs
Head, Government & Public Affairs – North and South America

Frank Kelly is Global Coordinator for Public Affairs as well as head of Government & Public Affairs for North and Latin Americas. In this role, he manages and coordinates relationships with elected officials and political and legislative bodies globally.

Additionally, he heads up the Bank's U.S. Direct Investment Advisory Group (DIAG) providing strategic counsel to non-US companies engaged in cross-border mergers and acquisitions requiring regulatory and political approvals.

Mr. Kelly also serves as the Bank's Chief Political Risk Strategist advising clients on geopolitical and domestic risk issues and their impact on markets and industry sectors.

Previously, he was Head of Communications & Public Affairs – Americas overseeing legislative and regulatory matters, corporate and internal communications, branding and advertising and conferences and events for Deutsche Bank in the Western Hemisphere.

Prior to joining Deutsche Bank, Mr. Kelly held senior positions at both Charles Schwab & Co. and Merrill Lynch & Co, Inc.

Before joining the private sector, Mr. Kelly served at the U.S. Securities and Exchange Commission as Chief Spokesman as well as the US Department of Justice as Assistant to the Director for Policy Development.

Prior to these posts, he served in both the George H. W. Bush and, earlier, the Reagan White House where he started as a writer for President Reagan.

Mr. Kelly is a member of the Council on Foreign Relations and the International Institute of Strategic Studies. He serves as a member of the Board of Directors of the American Council on Germany and the Atlantic Council of the United States.

Mr. Kelly, his wife, Maura, and their two living children resides in Great Falls, Virginia.

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& Wealth Management

Speaker Biographies

Francis J. Kelly

Head, Government & Public Affairs, Deutsche Bank–North and Latin America
Global Coordinator–Public Affairs

Frank Kelly is Global Coordinator for Public Affairs as well as Head of Government & Public Affairs for North and Latin Americas, primarily responsible for managing and coordinating relationships with elected officials and political and legislative bodies globally. Additionally, he heads up the Bank's U.S. Direct Investment Advisory Group (DIAG) providing strategic counsel to non-U.S. companies engaged in cross-border mergers and acquisitions requiring regulatory and political approvals. Mr. Kelly also serves as the Chief Political Risk Strategist advising clients on geopolitical and domestic risk issues and their impact on markets and industry sectors.

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Mr. Kelly is a member of the Council on Foreign Relations and the International Institute of Strategic Studies. He serves as a member of the Board of Directors of the Atlantic Council of the United States, the American Council on Germany and the Jerome Lejeune Foundation.

Larry V. Adam

Chief Investment Officer, Wealth Management–Americas
Chief Investment Strategist, Deutsche Asset & Wealth Management–Americas

Larry Adam is a Managing Director and serves the dual role of Chief Investment Officer for Wealth Management–Americas and Chief Investment Strategist for Deutsche Asset & Wealth Management–Americas. In his role as CIO, he chairs the Americas Regional Investment Committee, the management team responsible for investment strategy and asset allocation for discretionary portfolios in the Americas, and is a voting member on the Multi Asset Investment Committee, which formalizes and establishes the global house view. As Chief Investment Strategist, Mr. Adam is responsible for articulating and providing detailed research on the outlook for the economy and each major asset class in support of the house view.

Previously, Mr. Adam was the Head of the Asset Allocation and Quantitative Analysis Group, the group responsible for analyzing and implementing client-specific asset allocation strategies. He is widely published and has been quoted in various mainstream and financial publications, including *The Wall Street Journal, Barron's* and *International Herald Tribune*. He also frequently appears on television and has been featured on CNBC and Bloomberg TV. Mr. Adam joined Deutsche Bank Alex. Brown in 1992.

Mr. Adam received a B.B.A. and a master's degree in business with a concentration in finance from Loyola University Maryland. He has earned the Chartered Financial Analyst®, the Certified Investment Management Analyst® and the Certified Financial Planner™ designations.

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Speaker Biographies

Eric D.K. Melby
Principal, The Scowcroft Group

A founding Principal of The Scowcroft Group, Eric D. K. Melby has extensive experience in telecommunications, energy and investment support. He also advises clients on market entry and geopolitical risk. Dr. Melby's primary regions of focus are the Middle East and Asia.

Dr. Melby was a senior staff member on the National Security Council from 1987 to 1993, during which he participated in bilateral and multilateral trade and economic negotiations, including the North American Free Trade Agreement, the Uruguay Round, bilateral economic issues, international energy policy and export controls. He was also member of the U.S. 'Sherpa' team for the G7 Economic Summits during this period. Before serving on the NSC staff, Dr. Melby was a Special Assistant to the Under Secretary of State for Economic Affairs, responsible for trade and energy issues. Previously, he worked at the International Energy Agency in Paris. He has also served with the U.S. Agency for International Development and was a Peace Corps Volunteer in the Philippines.

Dr. Melby received his BA from Haverford College and his MA and PhD from the Johns Hopkins University (SAIS). He is a member of the Council on Foreign Relations, a Director of the Atlantic Council of the United States and of the International Student House of Washington, D.C. He serves on the advisory councils of the European Institute and of SAIS Europe. He also sits on the Chapter of the Washington National Cathedral.

Kevin G. Nealer
Principal, The Scowcroft Group

A Principal of The Scowcroft Group, Kevin G. Nealer provides strategic risk advisory services and direct investment support to clients, specializing in financial services and trade policy issues for emerging markets, with emphasis on China and Southeast Asia. Before joining The Scowcroft Group, Mr. Nealer advised multinational clients on investment issues, project finance, and trade law/policy as a principal in the consulting affiliate of Washington's largest law firm, and as Vice President for corporate affairs with a leading government strategies practice.

On October 1, 2014, President Obama appointed Mr. Nealer as a Member of the President's Intelligence Advisory Board. Following his confirmation by the United States Senate on December 14, 2010, Mr. Nealer had served on the Board of Directors of the Overseas Private Investment Corporation, the development finance agency of the U.S. government, and as a member of OPIC's Audit and Governance Committees until the conclusion of his term in January, 2013. He is a member of the international advisory boards of Ancora Capital Management Pte, Ltd., China Highland Fund, and the board of the Australian American Leadership Dialogue. A trade attorney and former State Department officer, Mr. Nealer previously served as trade policy advisor to the Senate Democratic Leadership.

A member of the Council on Foreign Relations, he is the author of numerous articles on political economy, including co-authoring the Council's report *Beginning the Journey: China, the United States, and the WTO*. He is a consultant to the U.S. government on trade and economic security issues. A Fulbright professor in the People's Republic of China (1990 to 1991), Mr. Nealer has served as a lecturer, program moderator, and adjunct professor of trade law and policy at the Georgetown University McDonough School of Business.

Mr. Nealer received his JD from Case Western Reserve University, and serves on its International Visiting Committee. He received his BA from the University of Michigan and is a member of the Advisory Board of the Michigan in Washington Program.

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From: **Kevin Nealer**
Date: **November 14, 2015**

Terrorism - Metrojet and Paris Mark Externalization of ISIS Threat

It has been a consensus view in the US and Europe that the dangers posed by ISIS included metastasizing into other Middle Eastern and African countries -- something that Turkey has already experienced and Saudi Arabia and others likely face. Europe was believed to be at less risk, although as the flow of refugees from Syria, Iraq, and Afghanistan increased, that risk has risen.

The US and everywhere else were thought to be tertiary targets, subject to opportunistic attacks but almost a distraction to ISIS (cf. Al Qaeda), given its preoccupation with exploitation of Sunni/Shia divisions and goal of regional territorial gains. Remember, ISIS' military leadership largely is drawn from Sunnis who were a part of Saddam's military; they are motivated by revenge for how they have been treated by the Shia-dominated post-Saddam Iraqi government.)

Last week's Metrojet bombing in Egypt, the suicide attacks Thursday in a Shiite neighborhood of Beirut, and yesterday atrocities in Paris all demonstrate an unexpected level of sophistication and effort. As a result, European countries and the US are likely to see an increase in incidents and threats that harken back to Al Qaeda's early agenda or are comparable to the Black September and early Hezbollah attacks of the '70s.

What are the consequences?

- ISIS can be expected to undertake further spectacular attacks. It has eclipsed AQ in operational capability, financing, and recruitment. It is not only the wealthiest terror group in history, but one with global reach and ambitions. (The Obama Administration's claims that ISIS is contained now look naive, and that characterization will haunt President Obama and Democrats next year.)
- Expect a significant uptick in EU, US, and Russian engagement against ISIS in the Iraq/Syria theater, but also in Europe. The failure to detect this elaborate scheme (no less complex because it was "low tech" -- so was 9/11) will prompt European security and intelligence agencies to take a much more intrusive and perhaps even confrontational approach both to indigenous Muslim groups and to arriving refugees. While that risks a feed-back loop, the instinct will be to err on the side of immediate results, not impact on radicalization as a social challenge.
- Germany and other EU nations will have to re-examine their commitments to welcome more refugees from the Middle East, and British opposition to allowing refugees, already strong, will harden. The scale of the Paris attacks will energize right-wing politics and pressure center-left governments to make threat reduction a higher priority than humanitarian concerns.

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- The universal horror at what happened in Paris is likely to strengthen the determination of countries gathered in Vienna for the Syria conference to better coordinate and prosecute the campaign against ISIS in Syria and Ira.

Bottom Line: **Has risk to the United States increased?** There are no indications yet that ISIS has changed its approach here. It encourages radicalization and lone wolf attacks but has not mounted direct attacks. But the Metrojet bombing has resulted in a stepped up global effort to secure American airlines. So too, targeting of American institutions/events – it is unlikely a coincidence that an American band was playing at the site of the largest causalities in Paris -- seems highly probable. This applies equally to American bases and facilities overseas, including embassies.

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From: Richard Kahn [redacted]]
Sent: 12/24/2015 12:52:15 AM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: Fwd: Alert: FIRPTA and REIT Reform Provisions in the New Tax Law Open Door to Increased Foreign Investment in U.S. Real Property Interests

Importance: High

Richard Kahn
HBRK Associates Inc.
575 Lexington Avenue, 4th Floor
New York, NY 10022
Tel [redacted]
Fax [redacted]
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Begin forwarded message:

From: Sadis & Goldberg Tax Group <[redacted]>
Date: December 23, 2015 at 3:02:13 PM EST
To: [redacted]
Subject: Alert: FIRPTA and REIT Reform Provisions in the New Tax Law Open Door to Increased Foreign Investment in U.S. Real Property Interests
Reply-To: [redacted]

TAX ALERT

DECEMBER 23, 2015

FIRPTA and REIT Reform Provisions in New Tax Law Open Door to Increased Foreign Investment in U.S. Real Property Interests

For further information about this *Alert*, please contact:

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Please feel free to discuss any aspect of this *Alert* with your regular Sadis & Goldberg contact or with any of the partners whose names and contact information can be found at the end of the *Alert*.

On December 18, 2015, President Obama signed into law a bill that significantly reforms the provisions of the Internal Revenue Code that were originally added 35 years ago by the Foreign Investment in Real Property Tax Act of 1980 (FIRPTA). The Protecting Americans from Tax Hikes Act of 2015 (the "PATH Act") also includes extensions of a number of tax relief provisions that expired at the end of 2015. The PATH Act makes foreign capital investment in U.S. real estate, energy and infrastructure assets more attractive by expanding certain exemptions from FIRPTA and clarifying the application of certain FIRPTA provisions to REITs and their shareholders.

I. FOREIGN PENSION FUNDS EXEMPTED FROM FIRPTA TAXATION

One of the most significant provisions of the PATH Act is the addition of a complete exemption from FIRPTA for "qualified foreign pension funds" and "entities" wholly owned by such funds, effective on the date of enactment. A foreign pension fund is "qualified" if it is subject to government regulation and certain reporting requirements in its home jurisdiction, is established to provide retirement or pension benefits to participants or beneficiaries that are current or former employees, has no greater than 5 percent beneficiaries, and enjoys tax benefits on either contributions or investment income in its home jurisdiction. The new exemption applies to direct investments and investments made through partnerships (including private equity funds). The PATH Act provides for certain details to be addressed by Treasury Regulations. It appears that the "entities" eligible for the FIRPTA exemption could include a U.S. or foreign "blocker" corporation that is wholly owned by a qualifying foreign pension fund. This exemption will, for the first time, permit foreign pension funds, including some governmental funds, to hold control positions in REITs without losing their FIRPTA exemption.

Note that the regular rules of the Internal Revenue Code other than FIRPTA still would apply to the foreign pension fund. Therefore, a foreign pension fund that invested in a partnership that was engaged in a U.S. business (real estate or non-real estate) would still be subject to U.S. federal income tax on its share of the partnership's "effectively connected" U.S. business income in the same manner as other non-U.S. persons making an investment in a U.S. business partnership.

Here are some examples of what can be done in light of the changes made by the PATH Act:

A. Raw Land Investment. A qualifying foreign pension fund invests in a partnership that buys raw land in the United States. (This could be a vacant lot, timberland, oil and gas or mineral property, or other property interests that qualify for treatment as real property for federal income tax purposes.) The investment is a capital asset, as the partnership is not engaged in business. The partnership later sells the property to a developer, or the pension fund sells its partnership interest. Under prior law, the foreign pension fund's non-business capital gain would automatically be subject to US federal income tax because of FIRPTA. Under the new law, the foreign pension fund's long-term or short-term capital gain is exempt from U.S. income tax and FIRPTA withholding because FIRPTA does not apply.

B. Equity Kicker Mortgage Loan Investment. A foreign pension fund acquires an ownership interest in a mortgage loan secured by U.S. real property. The loan includes stated interest plus an equity kicker (*e.g.*, additional interest equal to a share of gain realized on sale of the property). Such an equity kicker loan is treated as a U.S. real property interest under FIRPTA. Under prior law, gain realized by the foreign pension fund upon sale of the loan would automatically be subject to U.S. income tax under FIRPTA. Under new law, the gain realized on the sale of the mortgage loan would be exempt from U.S. income tax. (This conclusion is based on the assumption that the foreign pension fund is a mere investor and not engaged in an active lending business in the U.S.)

C. U.S. Blocker Corp. Investment. A foreign pension fund wants to make an equity investment in a U.S. real estate business that is organized as a partnership. The foreign pension fund forms a U.S. corporation to acquire the partnership interest and the corporation is capitalized with a mix of equity and debt held by the shareholder. The corporation is subject to U.S. income tax on its net income, but gets to deduct interest paid or accrued on the debt held by the shareholder. The foreign corporation later sells the stock of the corporation. Under prior law, the gain on sale of the stock would be subject to U.S. income tax because the corporation was a "U.S. real property holding corporation" under FIRPTA. Under new law, FIRPTA does not apply to the foreign pension fund, so the capital gain on sale of the stock is exempt from U.S. income tax. Note that the U.S.-source interest paid to the foreign shareholder could be subject to U.S. withholding tax under the regular rules of the Code, but if the pension fund is organized in a jurisdiction that has a tax treaty with the U.S. (*e.g.*, UK, Germany, France, China, Japan, etc.), these interest payments could be exempt from U.S. withholding under such tax treaty.

2. FIRPTA EXEMPTION FOR INVESTMENTS IN PUBLICLY TRADED REIT STOCK INCREASED FROM 5 PERCENT to 10 PERCENT

For publicly traded REITs, the PATH Act opens the door to increased investment by expanding the current statutory exemption from FIRPTA for small portfolio investments by non-U.S. persons. The Act provides all foreign investors (not just pension funds) can now own up to 10 percent of the stock of a publicly traded REIT without triggering FIRPTA tax. Under prior law, FIRPTA tax would apply upon the foreign investor's sale of stock of the publicly traded REIT or the receipt of certain distributions from such REIT if the foreign investor holds more than 5 percent of the REIT's stock.

3. CLARIFICATION OF THE EXEMPTION FOR INVESTMENTS IN DOMESTICALLY CONTROLLED REITS

The PATH Act includes important clarifying presumptions that will allow publicly traded REITs and their shareholders to rely with greater confidence on the current law FIRPTA exemption for gains realized on sales of stock in "domestically controlled" REITS. In determining whether a REIT is domestically controlled, the REIT is now permitted to presume that any owner of less than 5 percent of any publicly traded shares of the REIT is a U.S. person, unless the REIT has actual knowledge to the contrary.

4. REVENUE RAISING PROVISIONS RELATING TO FIRPTA AND REITs

The PATH Act includes certain revenue raising provisions to offset, in part, the tax revenue loss anticipated to result of the above-described tax reform provisions of the Act. Such revenue raisers include (among other technical changes) the following provisions:

A. Increase in FIRPTA Withholding Rate. The purchaser of a U.S. real property interest from a non-U.S. person was previously required to withhold 10 percent of the purchase price under FIRPTA. The PATH Act increases this rate to 15 percent for dispositions occurring after the 60th day following enactment, but maintains the 10 percent rate for sales of residential property for between $300,000 and $1,000,000. This provision is not a tax increase but is designed to ensure that FIRPTA withholding collects a sufficient portion of the taxes owed.

B. Restriction on REIT Spin-offs. In recent years, it has become increasingly common for large corporate taxpayers to reduce their tax bills by contributing real estate used in their businesses to a subsidiary, spinning off the subsidiary in a tax free transaction under Code section 355, and then having the spun-out corporation making a REIT election. The PATH Act curtails such activity by (i) providing that neither the distributing corporation nor the spun-out corporation can make a REIT election for ten years after that corporation was involved in a Section 355 transaction and (ii) denying tax-free treatment to spin-offs in which the distributing corporation or spun-out corporation (but not both) is a REIT.

5. CONCLUSION

The revisions to the FIRPTA and REIT rules discussed above represent a potentially large expansion of the incentives for foreign investment in U.S. real property interests, especially for foreign pension funds. Sponsors of U.S. real property investment funds and foreign investors with interests in U.S. real estate assets should review the new provisions to determine whether such persons could benefit from such U.S. tax law changes.

Sadis & Goldberg LLP

Please feel free to discuss any aspect of this *Alert* with your regular Sadis & Goldberg contact or with any of the partners, whose names and contact information are provided below.

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From: Dangene and Jennie Enterprise [redacted]
Sent: 2/19/2016 2:23:22 AM
To: Jeffrey Epstein [Jeevacation@gmail.com]
Subject: TRUMP / POPE SCORECARD .....
Attachments: EWLarge2.jpg

Importance: High

TRUMP 1 POPE 0

Enterpriseworld

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[redacted]|
www.coreaccess.net |

From: Bob Crowe [redacted]
Sent: 3/11/2016 12:24:18 PM
To: jeevacation@gmail.com
Subject: FW: RE : RE: Revised letter. Arbitrary detention of Mr. Wade
Attachments: image001.gif

Importance: High

Robert B. Crowe Partner| Nelson Mullins
One Post Office Square, 30th Fl., Boston, MA 02109
101 Constitution Avenue NW, Washington, DC 20001
[redacted]
T: [redacted]

From: abuulabass [mailto:[redacted]
Sent: Wednesday, March 02, 2016 12:31 PM
To: Vinoda Basnayake; elisabeth feliho
Cc: Bob Crowe; Mohamed Seydou Diagne; El Hadji Amadou Sall
Subject: RE : RE: Revised letter. Arbitrary detention of Mr. Wade

Congratulations Vinoda ! The French version of the paper was published today in the Senegalese major newspapers. You can see it also in Seneweb.com .
Many thanks for the good work with my best regards.
Tidiane
Envoyé depuis mon appareil Samsung

-------- Message d'origine --------
De : Vinoda Basnayake <[redacted]>
Date : 02/03/2016 16:20 (GMT+00:00)
À : elisabeth feliho [redacted]>
Cc : Bob Crowe <[redacted]>, Cheikh Tidiane Sy <[redacted]>, Mohamed Seydou Diagne <[redacted]>, El Hadji Amadou Sall <[redacted]>
Objet : RE: Revised letter. Arbitrary detention of Mr. Wade

We have had some positive feedback from the article. Now the issue certainly has more visibility in Washington. Bob is in the process of setting up the meeting with Tom at the State Dept regarding the Human Rights Report for 2016. Will send more as we get more details.

Vinoda

Vinoda Basnayake

Of Counsel and Chair of DC Government Relations
[redacted]

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(View Bio)

From: elisabeth feliho [[redacted]
Sent: Monday, February 29, 2016 6:29 AM
To: Vinoda Basnayake
Cc: Bob Crowe; Cheikh Tidiane Sy; Mohamed Seydou Diagne; El Hadji Amadou Sall
Subject: Re: Revised letter. Arbitrary detention of Mr. Wade

Congratulations!!! Can we share this with the press here?

Best regards.

EF

2016-02-26 13:04 GMT+00:00 Vinoda Basnayake <[redacted]>:
Great news, the piece was published in The Hill this morning-
http://thehill.com/blogs/pundits-blog/international/270878-senegals-democratic-backslide

We can share this w Congress and State.

Sent from my iPhone

On Feb 26, 2016, at 6:06 AM, elisabeth feliho <[redacted]> wrote:

Excellent!!!

2016-02-24 20:13 GMT+00:00 Vinoda Basnayake <[redacted]>:
We are working on getting the following article placed in the Hill or the Politico within the next week. As of now it looks like former Chairman of Armed Services, Congressman Ron Dellums, will be the author. Please keep highly confidential. Will keep you posted on if, when and where it gets published. Once it is published we can all circulate it highly. We believe that this article sets the tone for the advocacy we will be doing and having someone very prominent like Congressman Dellums will also be a great way to launch this campaign.

Congressman Ronald Dellums is a thirteen term Member of the U.S. House of Representatives (D-CA) who served from 1971-1998. He also served as the 48th Mayor of Oakland from 2007-2011. Dellums served as the Chairman of the House Armed Services Committee and the House Committee on the District of Columbia. He also served on the Foreign Affairs Committee, the Post Office and Civil Service Committee, the Permanent Select Committee on Intelligence and co-founded the Congressional Black Caucus.

Senegal's Democratic Backslide

2015 was a banner year for democracy in Africa. Nigeria, the largest country on the continent, had a democratic election, and even more impressively, had its first ever peaceful transition of power when sitting President Goodluck Jonathan transferred power to Muhammadu Buhari. Former President Jonathan conceded and famously declared, "Nobody's ambition is worth the blood of any Nigerian." My last piece for ***The Hill*** was titled, *'Will Guinea's experiment in democracy succeed?*" It is with great joy that I can report that it did! Guinea's first democratically elected President, Alpha Conde, won his reelection campaign in a peaceful election that was internationally monitored in which the Guinean electorate reaffirmed its commitment to a democracy.

Despite these victories for democracy in a continent in which I dedicated a great deal of my life's work, I am deeply troubled by developments over the last few weeks. Earlier this week Uganda President Yoweri Museveni extended his thirty year rule and "won" his fifth consecutive election which international observers said was marred with intimidation and impropriety. Shortly after the election Museveni, who scrapped constitutional term limits a decade ago, had his political rival, Kizza Besigye arrested and detained for protesting the election results. Of course we have come to expect these actions from Museveni in Uganda. What I am even most troubled by is what is taking place in Senegal, which was once the pillar of democracy in Africa.

When Abdoulaye Wade was democratically elected as President of Senegal in 2000, it was a huge step forward for democracy in Africa. President Wade adopted a new constitution and instituted term limits for the first time in Senegalese history. In 2012 President Wade was defeated in a democratic election by his Prime Minister Macky Sall. The United States and the larger international community praised Wade for his quick concession and praised peaceful transition of power. President Macky Sall affirmed his commitment to democracy announcing that he would shorten term limits from 7 to 5 years. President Obama visited Senegal in June of 2013 and praised President Sall for his commitment to democracy in shortening the presidential mandate and praised the country's rule of law.

Unfortunately in the past few years much has changed and we are witnessing a backslide in what was once Africa's brightest democratic success story. When the opposition party, the Senegalese Democratic Party, designated former President Abdoulaye Wade' son, former Minister Karim Wade, as their candidate for the next presidential election; President Sall had Karim Wade arrested and detained. President Macky Sall then reestablished a special court by presidential decree that had been abolished by Senegalese law and not heard a case in thirty years. This newly established special court sentenced Mr. Wade to six years in prison. He remains in prison today, sentenced without appeal. In April 2015, the United Nations Working Group of Arbitrary Detention determined that Mr. Wade was arbitrarily arrested and that his detention was in violation of international law. Last month the UN Working Group reaffirmed its finding and called on President Sall's regime to release Karim Wade and comply with international law. Sall has ignored the UN Working Groups request.

Last week the backslide continued even further as President Macky Sall reneged on his commitment to shorten term limits. Instead of holding elections next year, after five years per his commitment, he announced that he would serve until 2019. He claims that this decision was based on the opinion - just an opinion - of the Constitutional Council that he had himself sought.

In light of the trend toward democracy in Africa as exemplified by Nigeria and Guinea, it is very concerning that one of the United States' closest allies and Africa's strongest democracies appears to be retrogressing. The destabilization of democracy in Senegal could have significant consequences in the entire region. The United States must get in front of this negative trend before spreads across Africa and it is too late. The U.S. should call for President Sall to honor the request of the UN Working Group and release his political rival Mr. Wade and also keep his pledge of a 5 year presidential mandate. President Obama has said that Africa is more important than ever to security and prosperity in the U.S. We have worked very hard in implementing and prioritizing democracy and democratic succession in Africa. The Obama administration must not let our hard work be compromised in Senegal, we have worked too hard and come too far.

<image001.gif>

Vinoda Basnayake

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From: elisabeth feliho [mailto [redacted]]
Sent: Tuesday, February 23, 2016 5:20 AM
To: Vinoda Basnayake; Bob Crowe
Cc: Cheikh Tidiane Sy; Mohamed Seydou Diagne; El Hadji Amadou Sall
Subject: Revised letter. Arbitrary detention of Mr. Wade

Dear Vinoda and Bob,

Please see attached the last version of the revised draft letter. We have made some modifications and amendments we submit to your proposal. You can finalize the letter as it suits you. We strongly recommend to wait Wednesday or Tuesday this week before sending the letter as Amnesty International will issue on Wednesday 24th February its worldwide report on human right situation. It is highly probable that major statement will be made on Mr. Wade case in the report on Senegal, which will give us more input for the letter.

Many thanks and best regards.

EF

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From: Lesley Groff [redacted]
Sent: 5/4/2016 6:06:21 PM
To: Jefffrey Epstein [jeevacation@gmail.com]
Subject: Fwd: Larry Summers - Foreign Affairs - The Fusion of Civilizations

Importance: High

Begin forwarded message:

From: Kelly Friendly <[redacted]>
Subject: **Larry Summers - Foreign Affairs - The Fusion of Civilizations**
Date: May 4, 2016 at 2:05:48 PM EDT
To: [redacted]
Reply-To: [redacted]

The Fusion of Civilizations

The Case for Global Optimism

Foreign Affairs
May/June 2016 issue
By Kishore Mahbubani and Lawrence H. Summers

The mood of much of the world is grim these days. Turmoil in the Middle East, causing hundreds of thousands of deaths and millions of refugees; random terrorist attacks across the globe; geopolitical tensions in eastern Europe and Asia; the end of the commodity supercycle; slowing growth in China; and economic stagnation in many countries-all have combined to feed a deep pessimism about the present and, worse, the future.

Historians looking back on this age from the vantage point of later generations, however, are likely to be puzzled by the widespread contemporary feelings of gloom and doom. By most objective measures of human well-being, the past three decades have been the best in history. More and more people in more and more places are enjoying better lives than ever before. Nor is this an accident-because despite Samuel Huntington's foreboding, what has occurred over recent generations is not a clash of civilizations but a fusion of civilizations.

To put it simply, the great world civilizations, which used to have detached and separate identities, now have increasingly overlapping areas of commonality. Most people around the world now have the same aspirations as the Western middle classes: they want their children to get good educations, land good jobs, and live happy, productive lives as members of stable, peaceful communities. Instead of feeling depressed, the West should be celebrating its phenomenal success at injecting the key elements of its worldview into other great civilizations.

The march of reason, triggered in the West by the Enlightenment, is spreading globally, leading to the emergence of pragmatic problem-solving cultures in every region and making it possible to envisage the emergence of a stable and sustainable rules-based order. There is every reason to believe, moreover, that the next few decades can be even better for humanity than the last few-so long as the West does not lose confidence in its core values and retreat from global engagement. The greatest danger of the current pessimism, therefore, is that it might become a self-fulfilling prophecy, leading to fear and withdrawal rather than attempts to reinvigorate the existing global system.

The origins of the contemporary era lie in the West's transformation during the Renaissance, the Enlightenment, and the Industrial Revolution. No other civilization can take credit for giving birth to modernity. This was not done with some benign intent to uplift humanity in general; there were many problems along the way, and the explosion of Western power across the globe had some terrible consequences for other cultures and regions. Yet the ultimate result was the diffusion of a modern outlook that relies on science and rationality to solve problems, much to the ultimate benefit of the planet's population.

As recently as half a century ago, for example, there was a global clash of economic ideologies. Nikita Khrushchev, the former leader of the Soviet Union, could claim that the state was better at delivering basic goods to citizens than free markets were, but today such a view would be laughed at. The market economy has made Chinese and Indian workers today far more productive than they were under Mao Zedong or Jawaharlal Nehru, India's first prime minister. Societies now accept the simple fact that workers need material incentives to be productive, which has led to increased dignity and self-worth. The vast majority of humanity is literate, is at least somewhat mobile, and has access to the world's store of existing knowledge. Around half of the adults in the world own a smartphone, and there are now more connected mobile devices in total than there are people on the planet.

The spread of science and technology, meanwhile, has also improved human dignity and well-being. Most people used to experience lives that were nasty, brutish, and short. Today, life expectancy has increased by leaps and bounds virtually everywhere. Infant and maternal mortality have dropped sharply, thanks in part to the spread of clear hygiene standards and the construction of modern hospitals. According to the Bill & Melinda Gates Foundation, as recently as 1988, polio was rampant in 125 countries; today that number is down to two. Aside from among the Taliban and a few pockets of upscale communities in the United States, the virtues of vaccines are accepted by all, part of a general consensus on the virtues of Western science and technology.

And reason is replacing superstition more generally. People around the world now routinely do basic cost-benefit analyses when looking for solutions to problems, leading to a gradual improvement in outcomes everywhere, from agriculture and construction to social and political life. This helps explain the dramatic long-term decline in the rates of most kinds of conflict and violence that the Harvard scholar Steven Pinker has documented.

After slavery and imprisonment, the most degrading condition a human being can experience is poverty. In 2000, UN Secretary-General Kofi Annan announced as one of the ambitious Millennium Development Goals halving extreme global poverty by 2015. That goal was far exceeded, and the U.S. National Intelligence Council has predicted that extreme poverty will be reduced even further by 2030-which would constitute one of the most remarkable developments in human history. The global middle class, meanwhile, is projected to rise from 1.8 billion in 2009 to 3.2 billion in 2020 and 4.9 billion in 2030. The world's infant mortality rate decreased from an estimated 63 deaths per 1,000 live births in 1990 to 32 in 2015. This translates into more than four million fewer infant deaths each year.

Instead of optimism based on this recent progress, however, these days in the West, one more often encounters pessimism related to three current challenges: turbulence in the Islamic world, the rise of China, and intra-Western economic and political sclerosis. But the pessimism is unwarranted, because none of these three challenges is insurmountable.

MODERNIZING MUSLIMS

The Islamic world, from Morocco to Indonesia, comprises 1.6 billion citizens-more than one in five people on the planet. The vast majority of them share the common global aspirations to modernize their societies, achieve middle-class living standards, and lead peaceful, productive, and fulfilling lives.

Contrary to what some assert, Islam is fully compatible with modernization. When Malaysia built the Petronas Towers and Dubai built Burj Khalifa, they were not just erecting physical structures but also sending a metaphysical message: we want to be part of the modern world in all dimensions. Many Islamic societies have educated their women. In Malaysian universities, the women outnumber the men 65 percent to 35 percent. Even some Islamic countries that were initially reluctant to embrace modernization have begun to do so. For example, Qatar, Saudi Arabia, and the United Arab Emirates now feature satellite campuses of major Western universities. One reason for the shift is that the experience of other regions, such as Asia, has shown that modernization does not simply equal westernization-that it is possible to pursue, say, economic and social development while still retaining distinctive cultural characteristics.

It is true that a certain number of young Muslims will continue to choose rebellion against the modern world rather than integration into it, joining radical Islamist groups and trying to wreak havoc where they can. About 30,000 Muslim fighters from all over the world, including the West, have joined the Islamic State (also known as ISIS). But however much they constitute a major global security problem, they are dwarfed by, say, the 200 million nonradical Muslims who live peacefully in Indonesia alone. Indonesia has elected two consecutive leaders committed to integrating the country into the modern world, and its largest Muslim organization, the 50-million-plus-member Nahdlatul Ulama, has publicly challenged ISIS' actions and ideology.

The real challenge, therefore, is not the Islamic world per se but figuring out how to bolster the pro-modernization trends in that world while containing the radical trend. In retrospect, it was a mistake for the West to have remained silent when Saudi funding dramatically increased the number of radical madrasahs around the world. A comparable investment today in building a good modern school next to each radical one would create a contest for legitimacy that would likely spread Enlightenment values far and wide. Such a program could be undertaken by the UN agencies UNESCO and UNICEF at relatively modest cost, and it is only one of many possible lines of advance in attacking the problem.

CHALLENGING CHINESE

The second great challenge many worry about is the rise of China. China's success, however, can also be seen as the ultimate triumph of the West. The emperor Qianlong famously wrote to Great Britain's King George III in 1793 saying, "Our Celestial Empire possesses all things in prolific abundance and lacks no product within its own borders. There [is] therefore no need to import the manufactures of outside barbarians in exchange for our own produce." Two centuries later, the Chinese understand that absorbing Western modernity into their society has been crucial to their country's reemergence. It has led to rapid economic growth, new and gleaming infrastructure, triumphs in space exploration, the spectacular 2008 Olympic Games in Beijing, and much more.

Even as Chinese society has accepted modernity with great enthusiasm, however, it has not abandoned its Chinese cultural roots. The Chinese look at their modern Chinese civilization and emphasize its Chineseness, seeing no contradiction. Indeed, China is now experiencing its own cultural renaissance, fueled by its new affluence.

The duality of the Chinese story is reflected in the West's schizophrenic response to it. The Nixon administration eagerly sought better relations with China under Mao, and when Deng Xiaoping doubled down by opening up the country, the West applauded the change. The United States generously accepted Chinese products into its markets, allowed massive trade surpluses, welcomed China into the World Trade Organization in 2001, and kept global sea-lanes open so that China could trade freely. All of this enabled China to emerge as the world's number one trading power by 2013. The United States also generously allowed more than a million Chinese students to study in its universities.

Yet the rise of China has also led to deep fears. China continues to be run by a communist party that has no desire to embrace liberal democracy. China has displayed a belligerent side in some of its dealings with Japan and some members of the Association of Southeast Asian Nations over territorial disputes in the East China and South China Seas. The possibility of an aggressive, militaristic China cannot be ruled out.

But we have come a vast distance since the days when Mao openly talked about the possibility of winning a nuclear war, and Chinese history suggests that Beijing will ultimately prefer to join, rather than replace or reject, the current rules-based order that the West has created. As the world's number one trading power, China has the most to lose from a breakdown of the global economic system. Historically, moreover, what the Chinese have feared most is luan (chaos). This might lead to heavy-handed efforts to preserve order domestically, but it should lead Beijing to support a rules-based order at the global level as well. Undoubtedly, as China grows more powerful, it will become more assertive. This has happened. But since China needs a few more decades of peace to complete its modernization, it has strong reasons to restrain itself militarily and avoid a conflict.

Chinese society will never become a replica of Western society. China's own culture is too rich to be absorbed into any other cultural universe. Yet a modernizing China will feature overlapping aspirations in many areas, as, for example, with the rapid spread of Western classical music. In 2008, 36 million Chinese children were studying the piano (six times the number of U.S. children doing so), and another 50 million were studying the violin. Some Chinese cities can fill the halls of 15 opera houses in one evening.

A modern China with thriving Western classical orchestras and Western-style universities provides a powerful demonstration of the fusion of civilizations. Western statesmen should allow this dynamic to gain momentum while remaining patient on other areas of change, such as in the political realm. China's development will not necessarily be linear, but in the long run, it should continue in a positive direction.

PESSIMISTIC POPULISTS

The third challenge today is a widespread loss of confidence in the West about its own systems and future potential. Sluggish growth across the developed world, stagnant incomes for much of the population, rising economic inequality, political gridlock, and the emergence of populist insurgencies on both sides of the political spectrum have fueled a widespread sense that Western models of governance and economic management are floundering.

Many of these problems are real and important. But they are not beyond the capacity of determined leadership to solve, nor do they represent fundamental weaknesses of the Western model. So the pessimism strikes us as dramatically overdone, like previous bouts of declinism and worry that the West's best days were past. The greatest danger, in fact, is that the widespread pessimism will become a self-fulfilling prophecy. Gloomy Western policymakers and publics are more likely to see threats than opportunities and to turn away from the world rather than continue to lead it successfully.

This is notable in the rising opposition, for example, to the Trans-Pacific Partnership, a major trade deal that would help extend and deepen the liberal order across a broad swath of the globe. It is evident in the increasing suspicion of immigrants and refugees and in the growing support for closing borders. And it can be seen in the fraying and potential unraveling of international institutions such as the European Union, formerly a model of progressive international integration.

It would be a terrible shame if the West walked away from the very international order that it created after World War II and that has facilitated so much security, prosperity, and development over the decades. Instead, it should try to reinvigorate that order, with three moves in particular: working with China and India, bolstering international rules, and accentuating the positive global trends that get lost in all the hysteria about the negative ones.

Why China and India? Because they have the largest populations and economies in the developing world, are led by strong, reform-minded leaders, and are approaching the future with dynamism, optimism, and hope. Both understand that they need to take on greater responsibilities in confronting global problems, and as last fall's Paris climate agreement demonstrates, they are already starting to do so.

Although China's rise has been one of the universally acknowledged wonders of the age, India's recent rise has been impressive as well, as India, too, has embraced modernization, globalization, and Enlightenment rationalism. Along the way, India has maintained the world's largest democracy, successfully accommodated an amazingly diverse cultural and demographic mosaic, and kept its head and its values even under repeated terrorist attacks.

Although both are Asian powers, they differ so much that developing the capacity to work closely with both, and learning from each, would be a major step forward in mastering the management of a truly global order. The rapid spread of Western-style universities and orchestras in China will provide new bridges between China and the West. The exceptionally successful ethnic Indian community in the United States will provide bridges with India. And all this cooperation will accentuate the process of civilizational fusion.

In contrast to China and India, Russia has held back from thoroughly embracing modernity, even though the Soviet Union started modernizing before China and India. Russia hesitated to join the World Trade Organization and has not yet accepted that ungrudging participation in the current rules-based order can facilitate its own progress. The more Beijing and New Delhi prosper, however, the more persuasive will be the case for Moscow to follow their lead.

As it works closely with the major developing powers, the West should also step up its efforts to construct a robust rules-based world in general. In 2003, former U.S. President Bill Clinton said that Americans should try "to create a world with rules and partnerships and habits of behavior that we would like to live in when we're no longer the military, political, economic superpower in the world." If Clinton's fellow citizens could accept such advice, the citizens of most other countries would be willing to do the same. And this might be easier to achieve than many believe.

Much of today's global multilateral architecture was a valuable gift from the West to the world. Yet the major Western powers have also made sure that these institutions have never grown strong enough or independent enough to make real trouble for their creators. UN secretary-generals have been creatures of the permanent members of the Security Council, the leaders of the World Bank and the International Monetary Fund have been drawn exclusively from the United States and Europe, and dominance in these financial institutions has occasionally been exploited to achieve extra-financial goals. These policies should be reconsidered, for the legitimacy of the system depends on the perception that its rules are developed by and applied fairly and equally to all, rather than that they cater to the narrow interests of a few. Picking strong leaders for the major international institutions and keeping those institutions' operations from being undermined or politicized would be a major step forward.

Western policymakers, finally, should work to highlight the good things that are happening around the world rather than harp on the bad things. Hundreds of millions of people have emerged from poverty in recent decades even as military conflicts have decreased. The convergence of global aspirations means that a vast majority of countries want to see evolution trump revolution in the reshaping of the global architecture. The appearance of pressing transnational problems should drive a convergence of interests toward cooperation in finding common solutions. And the presence of large, well-educated middle classes in countries around the globe will help keep governments on the right track.

There is every reason to be confident that the condition of the world will continue to improve as pragmatism and the use of reason become universal. Western universities have been a crucial driver of this trend. It is not just that their curricula have been copied around the world; the entire ecosystem of a modern research university is being replicated, and it is the graduates of these Western-style universities who have in turn introduced modern methods into education, public health, economic management, and public policy more generally. Global management consulting firms have also contributed to progress, spreading best practices and good ideas from the West to "the rest," and increasingly from the rest back to the West. As a result, even formerly desperate and dysfunctional countries, such as Bangladesh and Ethiopia, are now confidently entering the modern universe.

In short, despite the daily headlines that scream doom and gloom, the world is actually coming together, not falling apart. So far, the fusion of civilizations has been driven primarily by the injection of Western DNA into other civilizations. Over time, the flow of culture and ideas is likely to go in both directions. This has already happened in cuisine, where global influences have thoroughly penetrated Western kitchens, and something similar should happen across cultural sectors.

There will be challenges. There could even be major setbacks. The fusion of civilizations and the social and economic changes associated with it can seem threatening to some, creating opportunities for demagogues to exploit popular fears, even in the heart of the advanced industrial world. But increasingly open and enlightened societies are likely to avoid this danger. In the twenty-first century, the world will be governed more by the authority of ideas than by the idea of authority. In short, the progressive direction of human history, which has lifted the human condition to heights never seen before, is set to continue.

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Lawrence H. Summers, 79 JFK Street #8, Cambridge, MA 02138

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Try it free today

From: Darren Indyke [redacted]
Sent: 5/20/2016 3:54:08 AM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: Fwd: Tweet from steven hoffenbergw (@stevenhoffenber)

Importance: High

Sent from my iPhone

Begin forwarded message:

From: steven hoffenberg <[redacted]>
Date: May 19, 2016 at 11:04:10 PM EDT
To: [redacted]
Cc: Alan Fraade <[redacted]>
Subject: Fwd: Tweet from steven hoffenbergw (@stevenhoffenber)

DARREN INDYKE ESQ .

JEFF EPSTEIN IS AT HOME IN NEW YORK CITY HAVING SEX WITH UNDERAGE GIRLS TO DAY !!!!!

THE TRUMP RACE WILL TELL ALL !!!!!!!

GET READY FOR ,

HOFFENBERG VS JEFF EPSTEIN LAW SUIT IN FRONT OF FEDERAL COURT JUDGE ROBERT SWEET S D N Y VERY SOON !!!!!! PONZI CRIMES AT TOWERS FINANCIAL BY JEFF EPSTEIN & STEVEN HOFFENBERG .

JEFF EPSTEIN WILL FACE THE PONZI CRIMES IN THE ABOVE LAW SUIT VERY SOON .

YOU ARE CRAZY FOR NOT SETTLING THE ABOVE CASE RIGHT NOW WITH THE TOWERS VICTIMS WHO YOU DID LEGAL WORK FOR WITH ROBERT GOLD ESQ .

THINK NOW AS THE ABOVE LAW SUIT FINAL DRAFT MAY BE READY TO FILE NEXT WEEK .

PLEASE ASK JEFF EPSTEIN TO STAY AT HIS HOME
IN NYC FOR THE LAW SUIT SERVICE ON JEFF EPSTEIN BY THE PROCESS SERVER WHO WILL BE AT 9 EAST 71 STREET NYC TO SERVE JEFF EPSTEIN VERY SOON .

TOTAL COVERAGE OF THE LAW SUIT WILL BE PICKED UP BY ALL OF THE MEDIA AT THE FEDERAL COURT IN NEW YORK CITY .

HAVE A NICE DAY MR INDYKE

Steven J. Hoffenberg
New York Post Publishing INC.

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Begin forwarded message:

From: Stevenhoffenberg <[redacted]>
Date: May 19, 2016 at 10:43:26 PM EDT
To: [redacted]
Subject: Tweet from steven hoffenbergw (@stevenhoffenber)

steven hoffenbergw (@stevenhoffenber)

5/19/16, 10:42 PM
CLINTON CRIMES RAPING LITTLE GIRLS TRUMP SUPER PAC GET OUR JOBS BACK INC ADS SHOWS CLINTON CRIMES

Download the official Twitter app here

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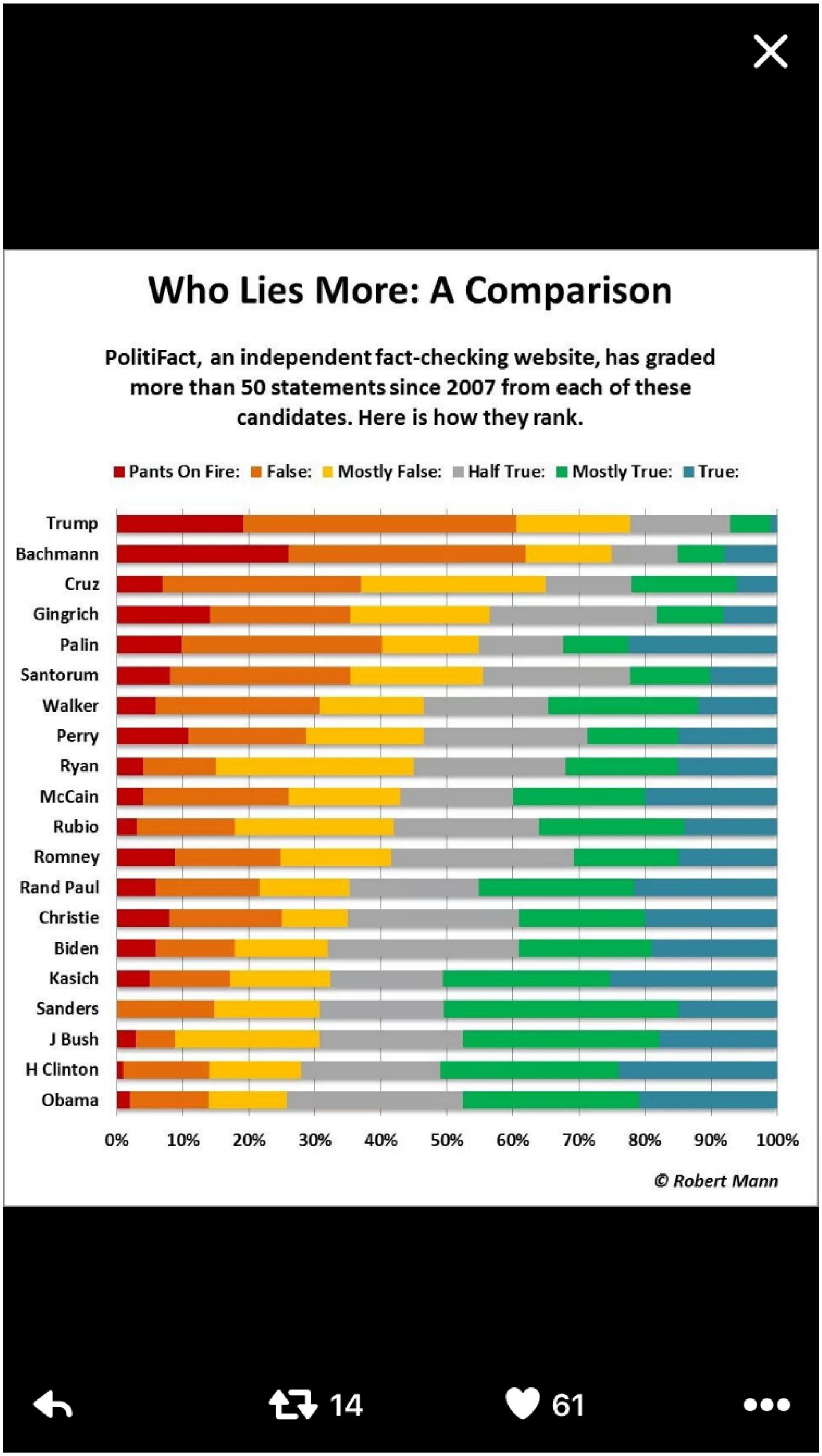

Who Lies More: A Comparison

PolitiFact, an independent fact-checking website, has graded more than 50 statements since 2007 from each of these candidates. Here is how they rank.

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Pants On Fire:
False:
Mostly False:
Half True:
Mostly True:
True:
Trump
Bachmann
Cruz
Gingrich
Palin
Santorum
Walker
Perry
Ryan
McCain
Rubio
Romney
Rand Paul
Christie
Biden
Kasich
Sanders
J Bush
H Clinton
Obama
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
14
61

From: Darren Indyke [redacted]
Sent: 7/23/2016 11:38:22 PM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: Fwd: T V ADS POUNDING CLINTON & JEFF EPSTEIN RAPES OF UNDERAGE LITTLE GIRLS COVER UP SEX ABUSE CRIMES BY THE WHITE HOUSE

Importance: High

Sent from my iPhone

Begin forwarded message:

From: steven hoffenberg <[redacted]>
Date: July 23, 2016 at 6:52:03 PM EDT
To: [redacted]
Subject: Fwd: T V
ADS POUNDING CLINTON & JEFF EPSTEIN RAPES OF UNDERAGE LITTLE GIRLS COVER UP SEX ABUSE CRIMES BY THE WHITE HOUSE

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Begin forwarded message:

From: steven hoffenberg <[redacted]>
Date: July 23, 2016 at 6:44:11 PM EDT
To: "Players2 ." <[redacted]>
Subject: T V
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ROGER

MY CLOSE FRIEND MARTY FEINBERG OWNS WINNER MEDIA THE T V AD AGENCY !!!!

THE T V AD AGENCY IS WORKING ON THE MASSIVE ATTACK AD TELLING HOW CLINT

ON DID COVER UP THE JEFF EPSTEIN RAPES OF THE LITTLE GIRLS .

CLINTON DID RAPE THE LITTLE GIRLS WITH JEFF EPSTEIN !!!!!

BOTHS CLINTONS ARE IN THE HUGE WASHINGTON D C LEADERS CRIMES COVER WITH NO F B I ARREST OF JEFF EPSTEIN !!!!!

RAPES OF LITTLE GIRLS NON STOP ARE IN THE T V ADS !!!!!

WIN PRESIDENT TRUMP !!!!

TRUMP SUPER PAC

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U.S. District Court
Southern District of New York (Foley Square)
CIVIL DOCKET FOR CASE #: 1:16-cv-04642-RA

Doe v. Trump et al
Assigned to: Judge Ronnie Abrams
Cause: 28:1332lb Diversity-Libel, Assault, Slander

Date Filed: 06/20/2016
Jury Demand: Plaintiff
Nature of Suit: 320 Assault Libel & Slander
Jurisdiction: Diversity

Plaintiff

Jane Doe
Proceesing under a pseudonym

represented by **Thomas F. Meagher**
Meagher Emanuel Laks Goldberg & Bovino, LLP
One Palmer Square, Suite 325
Princeton, NJ 08542
(914) 337-5200
Email: tmeagher@thomasfmeagheresq.com
ATTORNEY TO BE NOTICED

V.

Defendant

Donald J. Trump

Defendant

Jeffrey E. Epstein

Date Filed	#	Docket Text
06/20/2016	1	COMPLAINT against All Defendants. (Filing Fee $ 400.00, Receipt Number 0208-12438637)Document filed by Jane Doe. (Attachments: # 1 Affidavit Declaration of Plaintiff Jane Doe, # 2 Affidavit Declaration of Tiffany Doe)(Meagher, Thomas) (Entered: 06/20/2016)
06/20/2016	2	CIVIL COVER SHEET filed. (Meagher, Thomas) (Entered: 06/20/2016)
06/20/2016	3	REQUEST FOR ISSUANCE OF SUMMONS as to Donald J. Trump, re: 1 Complaint. Document filed by Jane Doe. (Meagher, Thomas) (Entered: 06/20/2016)
06/20/2016	4	REQUEST FOR ISSUANCE OF SUMMONS as to Jeffrey E. Epstein, re: 1 Complaint. Document filed by Jane Doe. (Meagher, Thomas) (Entered: 06/20/2016)

06/21/2016		*****NOTICE TO ATTORNEY REGARDING PARTY MODIFICATION. Notice to attorney Thomas F. Meagher. The party information for the following party/parties has been modified: Jane Doe. The information for the party/parties has been modified for the following reason/reasons: party text was omitted;. (dgo)** (Entered: 06/21/2016)
06/21/2016		*****NOTICE TO ATTORNEY REGARDING CASE OPENING STATISTICAL ERROR CORRECTION: Notice to attorney Thomas F. Meagher. The following case opening statistical information was erroneously selected/entered: County code New York; Fee Status code due (due);. The following correction(s) have been made to your case entry: the County code has been modified to XX Out of State; the Fee Status code has been modified to pd (paid);. (dgo)** (Entered: 06/21/2016)
06/21/2016		CASE OPENING INITIAL ASSIGNMENT NOTICE: The above-entitled action is assigned to Judge Ronnie Abrams. Please download and review the Individual Practices of the assigned District Judge, located at http://nysd.uscourts.gov/judges/District. Attorneys are responsible for providing courtesy copies to judges where their Individual Practices require such. Please download and review the ECF Rules and Instructions, located at http://nysd.uscourts.gov/ecf_filing.php. (dgo) (Entered: 06/21/2016)
06/21/2016		Magistrate Judge James C. Francis IV is so designated. (dgo) (Entered: 06/21/2016)
06/21/2016		Case Designated ECF. (dgo) (Entered: 06/21/2016)
06/21/2016	5	ELECTRONIC SUMMONS ISSUED as to Donald J. Trump. (dgo) (Entered: 06/21/2016)
06/21/2016	6	ELECTRONIC SUMMONS ISSUED as to Jeffrey E. Epstein. (dgo) (Entered: 06/21/2016)
06/30/2016	7	ORDER AND NOTICE OF INITIAL CONFERENCE: Initial Conference set for 9/9/2016 at 03:15 PM in Courtroom 1506, 40 Centre Street, New York, NY 10007 before Judge Ronnie Abrams. (As further set forth in this Order.) (Signed by Judge Ronnie Abrams on 6/30/2016) (cf) (Entered: 06/30/2016)

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XI JINPING, CHINA AND THE GLOBAL ORDER:
THE SIGNIFICANCE OF CHINA'S 2018 CENTRAL FOREIGN POLICY WORK CONFERENCE

THE HON. KEVIN RUDD
26TH PRIME MINISTER OF AUSTRALIA
PRESIDENT OF THE ASIA SOCIETY POLICY INSTITUTE, NEW YORK

AN ADDRESS TO THE LEE KUAN YEW SCHOOL OF PUBLIC POLICY
NATIONAL UNIVERSITY OF SINGAPORE

TUESDAY 26 JUNE, 2018

On 22-23 June 2018, the Chinese Communist Party concluded its Central Conference on Work Relating to Foreign Affairs, the second since Xi Jinping became General Secretary of the Party and Chairman of the Central Military Commission in November 2012. The last one was held in November 2014. These are not everyday affairs in the party's deliberations on the great questions of China's unfolding global engagement.

These conferences are major, authoritative gatherings of the entire leadership, designed to synthesise China's official analysis of international trends, and assess how China should anticipate and respond to them in the prosecution of its own national interests. This one, like the last one, was presided over by Xi Jinping and attended by all seven members of the politburo standing committee, plus ex-officio member Vice President Wang Qishan, together with all other eighteen members of the regular politburo, in addition to everybody who is anybody in the entire Chinese foreign, security, military, economic, trade, finance, cyber and intelligence community, as well as the central think tank community.

It's a meeting that's meant to be noticed by the entire Chinese international policy establishment, because if there is to be any new directive concerning China's place in the world, it's likely to be found somewhere in Xi Jinping's 3,000 character report to this conference.

Of course, the entire deliberations of the conference are not made public. Three-and-a-half years ago, only a selected part of it was broadcast and reported in the central media. The same this time as well. And unlike in Washington, the Chinese system doesn't leak every twelve hours. There is, therefore, an often hazardous reading of the tea leaves in interpreting what it all means, discerning what is new, what is new-ish, and what is not.

WHAT IS NEW?

How does the 2018 Work Conference compare with the one in 2014? The 2014 iteration represented the formal, official funeral of Deng Xiaoping's international policy dictum of the previous 30 years of "hide your strength, bide your time, never take the lead". It also heralded the beginning of a new period of confident, independent international policy activism by Beijing. In part this change reflected Xi Jinping's greater centralisation of political power in the Chinese system. In part it reflected the Chinese system's deep conclusion that American global power was in relative decline and that the United States would not confront China militarily if China sought to expand its regional military presence. In part it reflected a Chinese institutional conclusion that China had finally become an indispensable global economic power to most countries in the world, thereby enabling China to begin to project its economic influence bilaterally, regionally and also multilaterally. It also was an expression of Xi Jinping's personal leadership temperament, which is impatient with the incremental bureaucratism endemic to the Chinese system, and with which the international community had become relaxed, comfortable and thoroughly accustomed.

For those who follow these events closely and have written on the importance of this significant departure from China's traditional strategic framework dating from the 2014 conference, a number of developments since then have been illustrative of this overall change in the style, content and direction of China's international policy approach. China worked overtime in 2014-16 to expand its military position in the South China Sea with a rapid program of island reclamation. China took the idea of the New Silk Road and turned it into a multi-trillion dollar trade, investment, infrastructure and wider geo-political and geo-economic initiative, engaging 73 different countries across much of Eurasia, Africa and beyond. China signed up most of the developed world in the first large-scale non-Bretton Woods multilateral development bank called the Asian Infrastructure Investment Bank (AIIB), capitalised it and launched it so that it now has a balance sheet already approaching the size of the Asian Development Bank.

China has also become for the first time a multilateral diplomatic activist, launching diplomatic initiatives of its own beyond its own immediate sphere of strategic interest here in the East Asian hemisphere, as well as actively participating in other initiatives such as the JCPOA on Iran, rather than declining to reach beyond its own narrowly defined core national interests as we have often seen in the past. China has also developed naval bases in Sri Lanka, Pakistan and now Djibouti (the latter with some 5,000 troops based there), as well as participating in naval exercises with the Russians in the Sea of Japan, the Mediterranean and even the Baltic.

And now in the most recent National People's Conference in March 2018, we have the decision to establish China's first ever International Development Cooperation Agency to manage China's burgeoning aid programs across the developing world. Of course, these leave to one side the activities of Chinese state financial institutions, other Chinese SOE's as well as Chinese mixed investment funds operating on every continent and in every region of the world.

It would be wrong, analytically, to say that all these suddenly began after the 2014 Central Conference on Work Relating to Foreign Affairs. Some began in the two years before then after Xi first became General Secretary in late 2012. And some have their antecedents in the late Hu Jintao period. But my point is that they all either began, were intensified or else were formally publicly legitimised by the conclusions of the last Central Conference. In short, the system was given the mandate to contest, assert, and where possible to lead in the various councils of the world. And this was new.

Furthermore, anyone who continues to entertain the fanciful idea, which I still sometimes seen in Western commentary, that these changes are not the product of a well-considered Chinese grand strategy, is simply choosing to ignore the clear evidence of clearly defined policy purpose systematically at work in the field. Our Chinese friends think things through carefully. They observe carefully. Not just what is happening in the headlines, which is the permanent obsession of the Western political establishment. But what is happening, in what Xi Jinping would describe as "the underlying historical trends" in international relations. And then, after a period of detailed internal reflection, consideration, and where necessary consensus building within the system, a new direction is set.

That indeed is what these Central Foreign Policy Work Conferences are all about. They sum up where the system has got to in its analysis. And then what the system intends to do about it. It's part of the rolling system of policy analysis, implementation and review that characterises the entire Chinese public policy system, both foreign and domestic. It is both one of the great strengths of the Chinese system. But also one of its great weaknesses if the conclusions reached prove it be analytically flawed, or unsustainable in practice. It takes a lot to turn the Chinese ship of state around once that course has been set at the top.

So what changes with the 2018 Central Conference? Is it more of the same? Or simply an intensification of the trajectory? Or a change in content and tone. The answer is all of the above—a blend of continuity and change.

A NEW ROLE FOR PARTY IDEOLOGY IN FOREIGN POLICY

First, the press reporting of the conference asserts the absolute centrality of the party to the country's foreign policy mission. This is not entirely new. But the emphasis on the role of the party is much stronger than before. In the recent past, the country's international policy establishment, like its econocrats, have seen themselves, and have been seen by the Chinese political establishment, as a technocratic elite. That is now changing in foreign policy as much as it has already changed in economic policy.

This is part of a broader trend in Xi Jinping's China, whose focus is to rehabilitate the party from moral death from corruption on the one hand, and practical death from policy irrelevance on the other.

Xi has been concerned that the party had become marginal to the country's major policy debates given the technocratic complexity inherent to most of the country's contemporary challenges. That is why, for example, we now see a revitalisation of theory over practice, a reassertion of the power of the major institutions of the party over the major departments of state, and once again of political ideology over mere technocratic policy.

Nor does Xi Jinping intend presiding over the party's "death by a thousand cuts" as it contends with a range of unfolding political forces unleashed by a combination of the market economy, social liberalisation and foreign influence.

No—Xi Jinping intends for the party to defy the trend-line of Western history, to see off Fukuyama's end of history with the inevitable triumph of Western liberal-democratic capitalism and to preserve a Leninist state for the long term as the most effective means of ensuring that China prevails in its domestic and international challenges. That is why there is lengthy treatment in this conference on, to use the language of the Xinhua report, "Upholding the authority of the CPC Central Committee as the overarching principle and strengthening the centralised, unified leadership of the Party on external work."

In case we missed the emphasis, Xi Jinping also states that "diplomacy represents the will of the state, and diplomatic power must stay with the CPC Central Committee, while external work is a systematic project." Xi calls "for implementing reform of the institutions and mechanisms concerning foreign affairs under the decision of the Central Party leadership and enhancing party-building in institutions abroad so as to form a management mechanism catering to the requirements of the new era."

The conference also emphasised that China's diplomacy would now be a "diplomacy of socialism with Chinese characteristics" and as such would take Xi Jinping thought from the domestic into the foreign policy domain. In the past, this language of "socialism with Chinese characteristics" applied to the overall Chinese ideological system, usually interpreted as China's own form of state capitalism. But now it is applied to diplomacy, and it infers something else.

It seems to mean conforming diplomacy with a wider ideological worldview which lies beyond the simple policy pragmatism we have seen for decades guiding most elements of Chinese foreign policy in the prosecution of China's national interests. There now seems to be a new national and-or global vision that now sits above the simple maximisation of national interests. This seems more than the routine incantations of the China Dream, the party's centenary objectives for 2021, and the national centenary mission for 2049 with which we have become familiar since Xi came to power. At this stage, this new overarching ideological mission may be inchoate, but the fact that it is as yet not fully formed does not mean that it does not exist.

Lest there be any doubt on this count, the ranking foreign policy technocrat attending the Work Conference, former Foreign Minister and State Councillor Yang Jiechi, and now Director of the Foreign Policy Office of the Party Central Committee, refers explicitly to the ideological significance of this conference. It is worth quoting Yang's remarks at the conference at some length. He states that the most important outcome of this conference is that:

> *"It established the guiding position of Xi Jinping thought on diplomacy. Xi Jinping thought on diplomacy is an important part of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era...It is a major theoretical achievement in the thoughts on state governance in the area of*

> *diplomacy by the CPC Central Committee with Comrade Xi Jinping at the core, and a fundamental guideline for China's external work in the new era...We should integrate our thoughts and actions into General Secretary Xi Jinping's important address and Xi Jinping thought on diplomacy, and make new advances in China's external work."*

To an international foreign policy audience, this may all seem a little arcane. That's because in the internal ideological deliberations of a one party state, it is arcane. But we would be blind not to see that there is something new at play here. It is unclear whether this means Chinese foreign policy is likely to be more Marxist in its conceptualisation, or even its execution? Whether it likely to be more Nationalist? Whether it will seek to more actively promote the Chinese development model of "authoritarian capitalism" as a model for the world, in competition with the "liberal democratic capitalism" of the West? Whether it is a much more unformed worldview which will ultimately take shape around Xi Jinping's as-yet-deliberately-vague concept of "a global community of common destiny," which is now the subject of intense work within China's think tank community, and with the international academic community.

Or whether it is something more mechanistic than that altogether, involving a desire to fire up China's current diplomatic establishment into a more invigorated, imaginative, creative, even forceful effort to shape the future global rules-based order more in China's image, rather than China being the permanent "price -taker" for rules already determined elsewhere by others. Particularly where elements of the existing order are seen to represent a continuing and unwelcome challenge to the legitimacy of China's domestic political order, for example in areas such as the rule of law, human rights and democracy.

A NEW IDEOLOGICAL CONFIDENCE THAT HISTORY FAVOURS CHINA

There is a second element to the June 2018 Conference which grows out of the first. It is Xi's deeply Marxist, dialectical-materialist view of history based on permanently evolving "contradictions" between what dialecticians call thesis, antithesis and synthesis. In Xi's view, this in turn gives rise to defined "laws" of historical development which are both prescriptive and predictive.

This may sound like old-fashioned Marxism. That's because it is. The intellectual software of generations of Chinese leaders has been shaped by this conceptual framework for interpreting and responding to what they define as scientific, objective reality. And Xi Jinping belongs to that tradition. Remember he has already convened special study sessions of the politburo on understanding both dialectical and historical materialism in the past.

According to the conference report: "Xi suggested to not only observe the current international situation, but also review the past, summarise historical laws, and look towards the future to better understand the trend of history." Furthermore, according to the same report in Xinhua, to obtain "an accurate understanding of the overall situation, Xi underlined not only the observation of detailed phenomena, but also a deep appreciation of the essence of the overall situation in order not to get lost in complexity and the changing international situation." Xi concludes on this count by stating that "throughout human history, the development of the world has always been the result of contradictions intertwining and interacting with each other."

Once again, all this will seem more than a little arcane. But in the ideological dialect of the Communist Party, it seems to mean several things. First, that there is nothing random about what is unfolding in the world today. Second, these reflect certain immutable laws of political and economic development. Third, the business of Chinese foreign policy is to use this dialectal prism to understand precisely what is happening in the world today, why it is happening and what to do about it. And fourth, applying these disciplines to the current period, it means that the global order is at a turning point with the relative decline of the US and the West, with this coinciding with the fortuitous national and international circumstances currently enabling China's rise.

To use Xi's own language, this: "has been in the best period of development since modern times, while the world is undergoing the most profound and unprecedented changes in a century" adding that "the two aspects are intertwined and interact with each other." Xi refers to the current period as a period of unprecedented strategic opportunity for China and the current mission of the party. Although this is not itself a new term, Xi says the party's mission is to extend this period. To do this, he calls for the party to engage in "in-depth analysis of the law of how the international situation changes as the world comes into this transitional period, as well as developing an accurate grasp of the basic characteristics of the external environment China is facing at this historical juncture in order to better plan and facilitate the country's work on foreign affairs."

In other words, what is being said here is that China now has the wind at its back. Of course there are formidable obstacles ahead. But a dialectical analysis of history causes China to conclude that the forces of reaction facing the US and the West are greater. Just as the contradictions operating domestically within the US and the West (in their particular political systems) are greater as well. Which in turn renders China's overall domestic and international circumstances much better by comparison in the emerging contest between the two. All of which, again in this view, pushes towards a new historical synthesis more in China's (and Chinese socialism's) favour.

You will all be forgiven if you think this all sounds more like medieval theology than modern international relations. And it's anyone's guess what any of this actually will have to do with concrete foreign policy reality. But we often forget that how one-party states, and in particular Marxist states, choose to 'ideate' reality actually matters. It's how the system speaks to itself. It's the political lingua franca among political and policy elites.

And the important thing here is that the message from Xi Jinping to his international policy elite is one of great confidence. Not just because China wills it to be so, but because from a Marxist theoretical perspective, which in their view articulates certain immutable 'laws' of political and economic development, the forces of history are now with China. Furthermore, this is a call to greater international policy activism, rather than retrenchment in response to the rise of Trump. In other words, the conclusion is that the great trends of history, or to use an old Soviet term, the 'correlation of forces', are moving China's way.

TOWARDS A SHARPER CHINESE DIPLOMACY

A third element of the 2018 Work Conference is its injunction to the country's international policy institutions and personnel to get with the Xi Jinping project. Xi seems to have the Foreign Ministry in his sights when he says that "the reform of the institutions and mechanisms concerning foreign affairs is the internal demand of advancing modernisation in the state governance system and governance capabilities." It will be recalled from above that "party-building" within the country's foreign policy institutions will be a core part of that.

On personnel, Xi Jinping reminds the nation's diplomats that they are first and foremost "party cadres." This has a certain ideological retro to it all. Indeed it's been a long time since I've heard Chinese diplomats refer to their seniors as cadres. In fact I'm not sure that over the last 35 years that I can. To quote the Xinhua report: "Stressing that cadres are the decisive factor after setting the political course, Xi called for a strong contingent of foreign affairs personnel that are loyal to the CPC, the country and the people and are politically solid, professionally competent and strongly disciplined in their conduct. He called on foreign affairs cadres to enhance their ideals and their training so as to upgrade their competency and overall quality..."

Does this presage a new type of Chinese foreign ministry diplomat abroad? Perhaps. It's long been reported that Xi has been frustrated by the performance of parts of his foreign policy establishment. He sees them proceeding at a glacial pace. Whereas China's strategic challenges and opportunities are urgent. Once again, this tends to point in the direction of greater foreign policy activism in the future in a system that is struggling to keep up with the political and policy vision of its leader.

CHINA LEADING THE REFORM OF GLOBAL GOVERNANCE

Fourth, the sharpest substantive new development to emerge from the 2018 Foreign Policy Work Conference is what is says about global governance.

In the 2014 Work Conference, Xi referred to an impending struggle for the future structure of the international order. He did not elaborate on this back then. But much work has gone on within the Chinese system since on three inter-related concepts: the international order (guoji zhixu); the international system (guoji xitong), and global governance (quanqiu zhili).

Of course, these mean different but overlapping things in English too. Broadly speaking, in Chinese, the term "international" or "global" order refers to a combination of the UN, the Bretton Woods Institutions, the G20 and other global plurilateral or multilateral institutions on the one hand; and the US system of global alliances to enforce the US definition of international security on the other. The term "international system" tends to refer to the first half of this international order—namely the complex web of multilateral institutions which operate under international treaty law and which seek to govern the global commons on the basis of the principle of shared sovereignty. As for "global governance", it tends to refer to the actual performance, for good or for ill, be it effective or ineffective, of the "international system" so defined.

It is deeply significant that at the 2018 Work Conference, Xi Jinping states boldly that a core component of his new ideology of a "diplomacy of socialism with Chinese characteristics" would be for China to: "lead the reform of the global governance system with the concepts of fairness and justice." This is by far the most direct, unqualified and expansive statement on China's intentions on this important question we have seen.

China, like the rest of the international community, is acutely conscious of the dysfunctionality of much of the current multilateral system. It also sees the US walking away from much of the system as well: from the JCPOA which was agreed to by the UN Security Council; from the UN's Paris Agreement on Climate Change; its withdrawal from the UN Human Rights Commission; its open defiance of the Refugees Convention; and its challenging of the underlying fabric of the WTO.

Nature, as we know, abhors a vacuum. International relations even more so. And we all saw Xi Jinping's riposte to President Trump on climate change and trade at Davos 18 months ago just after President Trump's election. If China is indeed serious about leading the reform of global governance, its attitude to various of these multilateral institutions will be radically different to the historical posture of the US. Take for example the Human Rights Council in Geneva, which China would like to see emasculated. Mind you, so too now, apparently, does the current US administration!

The reference to "China leading the reform of global governance" in this conference is not an accident. It also reflects a growing Chinese diplomatic activism in a number of UN and Bretton Woods institutions around the world as China begins to seek to recast these institutions, their cultures, their work practices and their personnel in a direction more compatible with China's core national interests. As I have written before, rather than China having to consistently resist the pressures of "Westernisation" inherent in the existing laws, institutions and culture of the current international system, particularly when these prove to be incompatible with the retention of a Marxist-Leninist Chinese state, the resolve of China's leadership now seems to be to use its newfound global power to refashion those institutions within the international system that may be most problematic for China on the home front.

As for the principles of fairness and justice that Xi refers to as the core principles that will guide China's reform of global governance, these terms historically imply China's preference for a more "multipolar" international system in which the unilateral voice of the United States is reduced. China has already developed a strong constituency in Africa, parts of Asia and Latin America in support of this. 'Multipolarity' in Chinese strategic parlance is code for the dilution of American power in the post-war international system.

THE CENTRALITY OF CHINESE NATIONAL INTERESTS

Lest anyone gets too starry-eyed about China's intentions for reforming global governance, in Xi Jinping's description of the core principles of its new "diplomacy of socialism with Chinese characteristics," Xi concludes his list of ten governing principles with the following: that China must take its "core national interests as the bottom line to safeguard China's sovereignty, security and development interests".

Xi makes plain that China's foreign policy is unapologetically nationalist. Xi assumes that all other countries' foreign policies are nationalist as well.

Of course, China's definition of its core national interests has evolved over time. As have other nations. It now includes, for example, the South China Sea. A decade ago, that was not a feature of Chinese official statements defining China's core interests. Now it is. As for any state, therefore, the concept of "core national interests" varies over time and will be defined by the government of the day.

CONCLUSION

But we will soon see how the 2018 Central Foreign Policy Conference translates into different Chinese foreign policy behaviours on the ground. If the 2014 Conference is an effective guide, we will see a heightened period of Chinese foreign policy activism. However the precise content of that activism remains to be seen. But what we are seeing is the slow, steady emergence of a more integrated Chinese worldview which links China's domestic vision with its international vision - and a vision which very much reflects the deep views of China's paramount leader Xi Jinping.

The first policy terrain where we are likely to see this is in the existing institutions of global governance. But it will not be restricted to this area. The text of the report of the 2018 Central Conference on Work Relating to Foreign Affairs suggests that we will also see this across China's bilateral relations, its engagement with regional institutions, as well as its approach to major power relations as well - all of which are likely to be met with an increasingly forthright Chinese diplomacy.

The challenge for the rest of the international community is to define what type of future international order, system and governance it wants. And to take China's invitation seriously to engage the Middle Kingdom in a frank and forthright discourse on what the region and the world precisely want in any future "global community of common destiny".

What does the European Union want? What does ASEAN want? What does the East Asia Summit want? What does the African Union want? What does the Organization of American States want? What does the Gulf Cooperation Council want? What exactly does America want, with or without Trump?

And in this dialogue, how will the values already entrenched in the UN Charter, Bretton Woods and the Universal Declaration of Human Rights, as well as the founding instruments of various regional organisations, be preserved for the future?

The future of the global order is now in a state of some flux. In part induced by the recent posture of the United States. In part induced by the rise of China. China it seems has a clear script for the future. It's time for the rest of the international community to do the same.

***

From: Richard Kahn [redacted]
Sent: 8/1/2018 1:34:23 PM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: Trump urges Attorney General Sessions to stop Mueller probe 'right now'

Importance: High

https://www.cnbc.com/2018/08/01/trump-urges-attorney-general-sessions-to-stop-mueller-probe-right-now.html

Trump urges Attorney General Sessions to stop Mueller probe 'right now'

Carlos Barria | Reuters

President Donald Trump speaks during a joint news conference with Italy's Prime Minister Giuseppe Conte in the East Room of the White House in Washington, July 30, 2018.

President Donald Trump on Wednesday called on Attorney General Jeff Sessions to end Robert Mueller's Russia probe "right now," escalating his attacks on the inquiry.

"Attorney General Jeff Sessions should stop this Rigged Witch Hunt right now," the president wrote in a post on Twitter. "Bob Mueller is totally conflicted, and his 17 Angry Democrats that are doing his dirty work are a disgrace to USA!"

This is breaking news. Please check back for updates.

Richard Kahn
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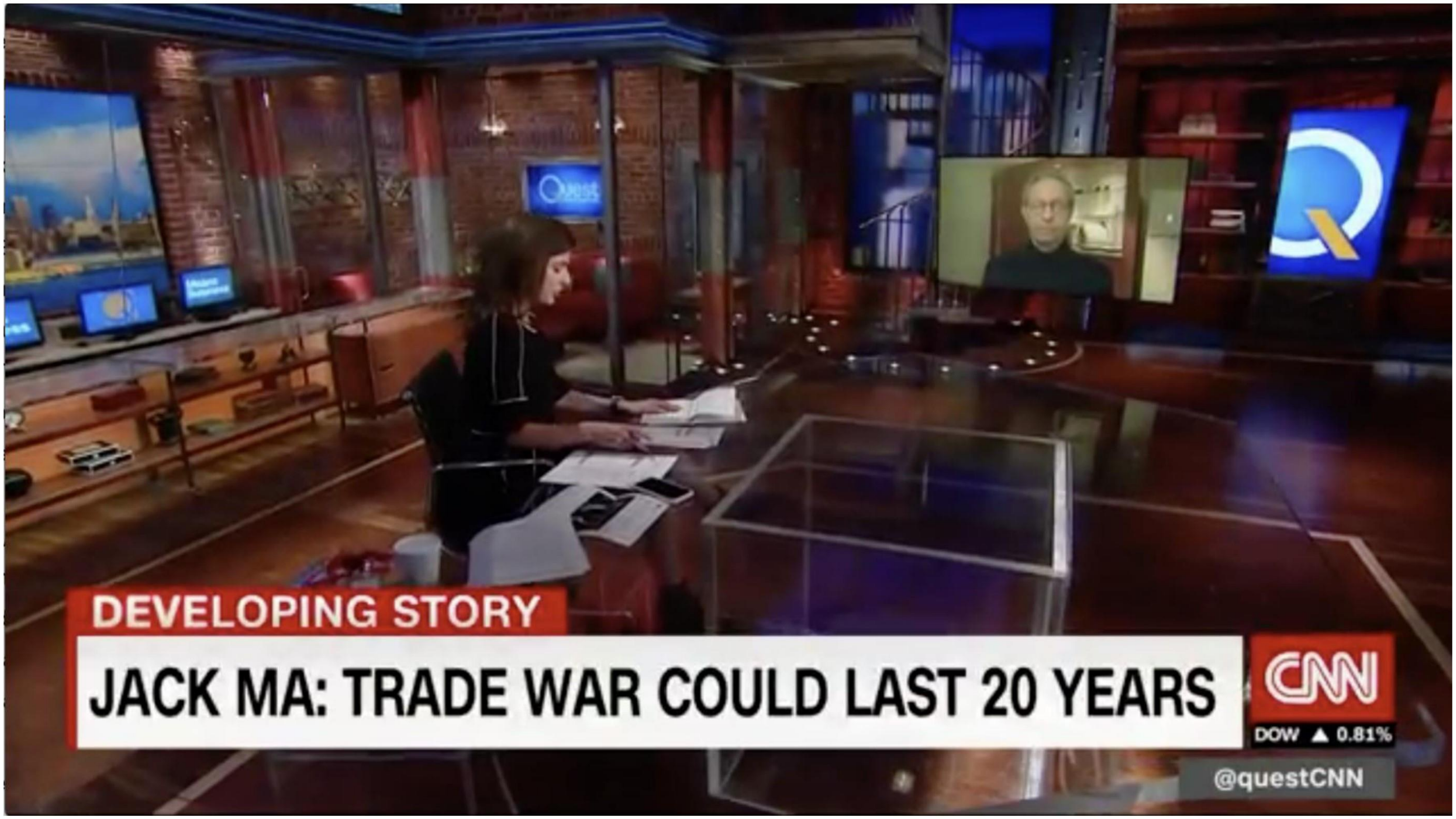
575 Lexington Avenue, 4th Floor
New York, NY 10022
Phone [redacted]
Fax [redacted]
Cell [redacted]

CNN – Quest Means Business

New Tariffs — Trade War

Robert Lawrence Kuhn, September 18, 2018


DEVELOPING STORY
JACK MA: TRADE WAR COULD LAST 20 YEARS
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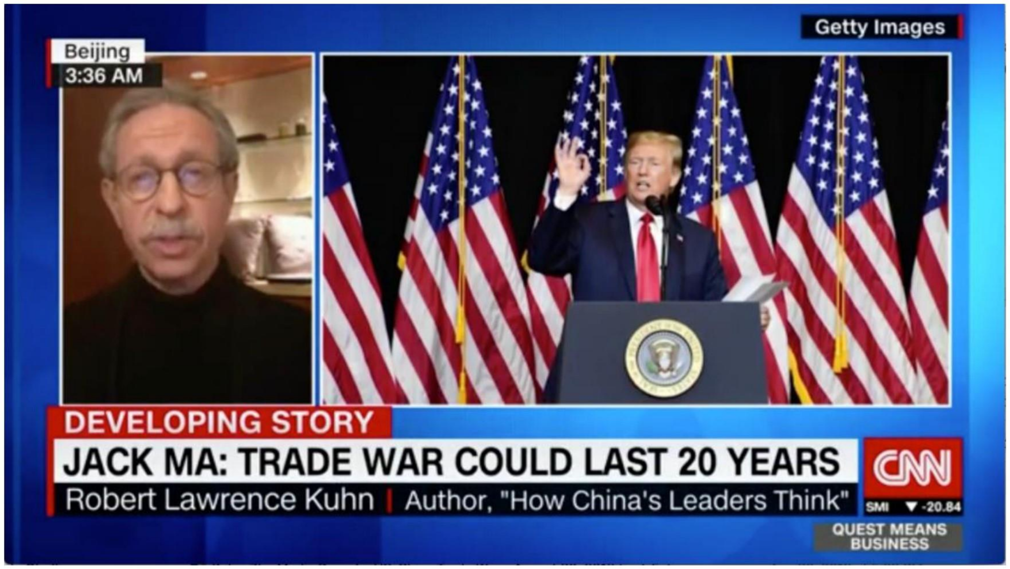
HOST: Now from Beijing, Robert Lawrence Kuhn is a long-time advisor to China's leaders and the author of "How China's Leaders Think". Thank you so much for joining us. We appreciate it. Your reaction to Jack Ma's prediction and do you agree? **RLK:** The public stance of China has to be strong. The legitimacy of the government and of the Communist Party is based on two primary factors. One is the economic development.	DEVELOPING STORY JACK MA: TRADE WAR COULD LAST 20 YEARS CNN FTSE ▼ -1.87 QUEST MEANS BUSINESS
RLK: China is celebrating this year 40 years of reform and opening up really having created an economic miracle, an astonishing 50 times increase of GDP per capita. So that has been terrific. The second area is national pride and national rejuvenation. And frankly, China as almost every other country, if the two come into conflict, the latter has to prevail, especially in China with a history of 100 years of bullying, as they say, by foreign powers, mostly Western, and then of course Japan.	Beijing 3:36 AM DEVELOPING STORY JACK MA: TRADE WAR COULD LAST 20 YEARS CNN Robert Lawrence Kuhn | Long-term adviser to China's leaders DAX ▲ 61.26 @questCNN

RLK: This has caused a deep scar in the Chinese psyche. So you have all of these factors coming together — but I can tell you the public stance of the government, of Jack Ma we just heard, is very strong and they have to be.

RLK: If you look at what President Trump said, that is not a public posture for seeking solution. Not just saying tariffs will go up to 25 percent in January will go up, but then threatening if you retaliate at all, we're going to levy tariffs on everything else [$500+ billion Chinese goods]. That's a very aggressive stance and China really has no choice.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DEVELOPING STORY
JACK MA: TRADE WAR COULD LAST 20 YEARS
Robert Lawrence Kuhn | Author, "How China's Leaders Think"
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QUEST MEANS BUSINESS

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DEVELOPING STORY
JACK MA: TRADE WAR COULD LAST 20 YEARS
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QUEST MEANS BUSINESS

RLK: But behind the scenes, I talked to economists, the leading economists officials, every day. Everybody wants a solution and they want it a lot sooner than 20 years. But number one, they have to have a government in Washington that are people they can talk to, that they will have confidence that what they say will be implemented. And the Chinese want a solution because many of the problems, if we look at the problems, solutions are consonant with what China needs itself, opening up markets further is one of them.	Beijing 3:38 AM Xiamen, China DEVELOPING STORY JACK MA: TRADE WAR COULD LAST 20 YEARS Robert Lawrence Kuhn | Long-term adviser to China's leaders CNN S&P ▲ 18.34 @questCNN
RLK: Economists tell me all the time that China needs to open markets. That more competitiveness within China — that's good for China, but they can't look like they're subservient or bowing to foreign pressures. We can go through each of the issues that are critical: China has made progress in intellectual property. Is it perfect? Of course not, but they know they really need to improve that. They will reduce forced technology transfer.	Beijing 3:38 AM Xiamen, China DEVELOPING STORY JACK MA: TRADE WAR COULD LAST 20 YEARS Robert Lawrence Kuhn | Author, "How China's Leaders Think" CNN 7:38 PM GMT QUEST MEANS BUSINESS

RLK: What they will not do is change their industrial model, which is government support for future industries. So that's a sticking point, but I believe that they will open their markets further and this is critical. **HOST:** So how do you find compromise when on the one hand, as you've described, you've got a country that wants to come across as a superpower equal to that of the United States, so any concessions would make them look weak. On the other hand, there's not much love lost for China here.	DEVELOPING STORY JACK MA: TRADE WAR COULD LAST 20 YEARS CNN DAX ▲ 61.26 QUEST MEANS BUSINESS
HOST: In the United States, as you know, Republicans and Democrats alike, some that may not even agree with most of President's Trump's policies can't go out necessarily and throw their arms around China and support China openly to the voters. So where do you come up with a middle ground to where both sides look like they're walking away with something?	DEVELOPING STORY JACK MA: TRADE WAR COULD LAST 20 YEARS CNN 7:39 PM GMT @questCNN

RLK: Certainly that's the objective. You're absolutely right: There's no issue in American politics that the all sides of the spectrum agree upon more than on China. In fact, on every other issue, one could say from the Bernie Sanders / Elizabeth Warren, Democrats on the left, to Donald Trump Republicans on the far right, they disagree on virtually everything we can say except on China. So that's the reality we are dealing with.	Beijing 3:40 AM November 2017 Beijing DEVELOPING STORY JACK MA: TRADE WAR COULD LAST 20 YEARS Robert Lawrence Kuhn | Author, "How China's Leaders Think" CNN 7:40 PM GMT QUEST MEANS BUSINESS
RLK: Nobody expects this to be resolved before the midterm elections. That's for sure. But if we look at the details, if the people who really know what's going on look at the detail, we look at the real issues, we have the trade deficit, sure, but most people in the U.S recognize that it's a simplistic number.	Beijing 3:40 AM November 2017 Beijing DEVELOPING STORY JACK MA: TRADE WAR COULD LAST 20 YEARS Robert Lawrence Kuhn | Author, "How China's Leaders Think" CNN DOW ▲ 215.13 @questCNN

RLK: The trade deficit has a lot of things in there that are not accurate. You look at the iPhone, China will get 6, 10 percent of that, the rest are components that go into China. Services are 40 billion dollars — what Chinese tourists and students pay in the US — not counted in the trade deficit, which is a very complicated number. It also benefits the US because we have a lot of good products at cheaper prices.

Beijing
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November 2017
Beijing
DEVELOPING STORY
JACK MA: TRADE WAR COULD LAST 20 YEARS
Robert Lawrence Kuhn | Author, "How China's Leaders Think"
CNN
9:40 PM CET
@questCNN

RLK: But there are five real reasons that are problematic to the US with respect to China: closed markets; intellectual property protection; industrial espionage, which includes cyber theft; forced technology transfer in JVs; and government support for future industries. Those are five real issues that the smart people in America are focusing on. And legitimately so.

Beijing
3:40 AM
November 2017
Beijing
DEVELOPING STORY
JACK MA: TRADE WAR COULD LAST 20 YEARS
Robert Lawrence Kuhn | Author, "How China's Leaders Think"
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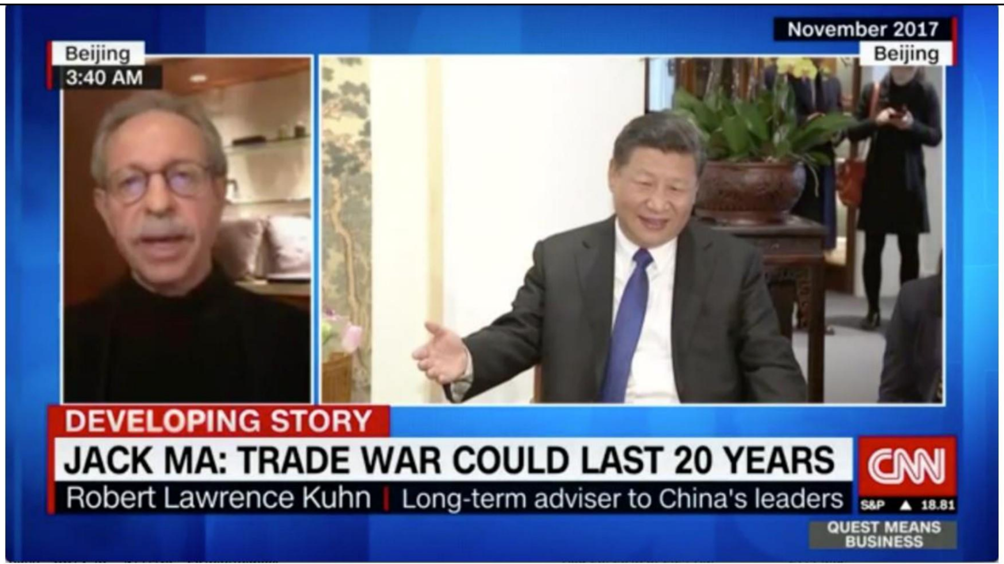
DOW ▲ 0.83%
QUEST MEANS BUSINESS

RLK: But there are five real reasons that are problematic to the US with respect to China: closed markets; intellectual property protection; industrial espionage, which includes cyber theft; forced technology transfer in JVs; and government support for future industries. Those are five real issues that the smart people in America are focusing on. And legitimately so.

RLK: But these are, I believe, solvable — because intellectual property rights, China's improving. Industrial espionage, they're reducing and they have reduced. It needs to be more. Tech transfer, I think that will be eliminated.

RLK: The two critical issues are government support of nascent industries in China and the opening of markets. I think ultimately those two can be traded. The US can recognize that China can do some of those things with certain restrictions and really open their markets more. I think that's the ultimate trade.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Robert Lawrence Kuhn | Long-term adviser to China's leaders
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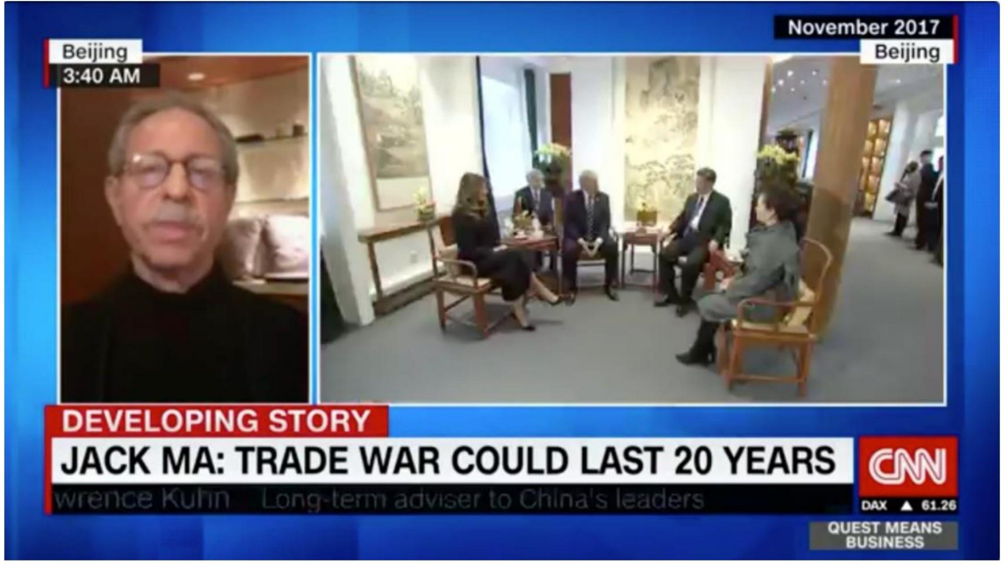
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QUEST MEANS BUSINESS

HOST: As you mentioned, it's a long-term process, not anything we're going to see resolved in the next few months or even years. Though many people would say it would be easier from the American perspective if the president wasn't approaching it as I go it alone, a type of relationship and getting out of TPP. But that's for another conversation. Robert, we appreciate you joining us.

DEVELOPING STORY
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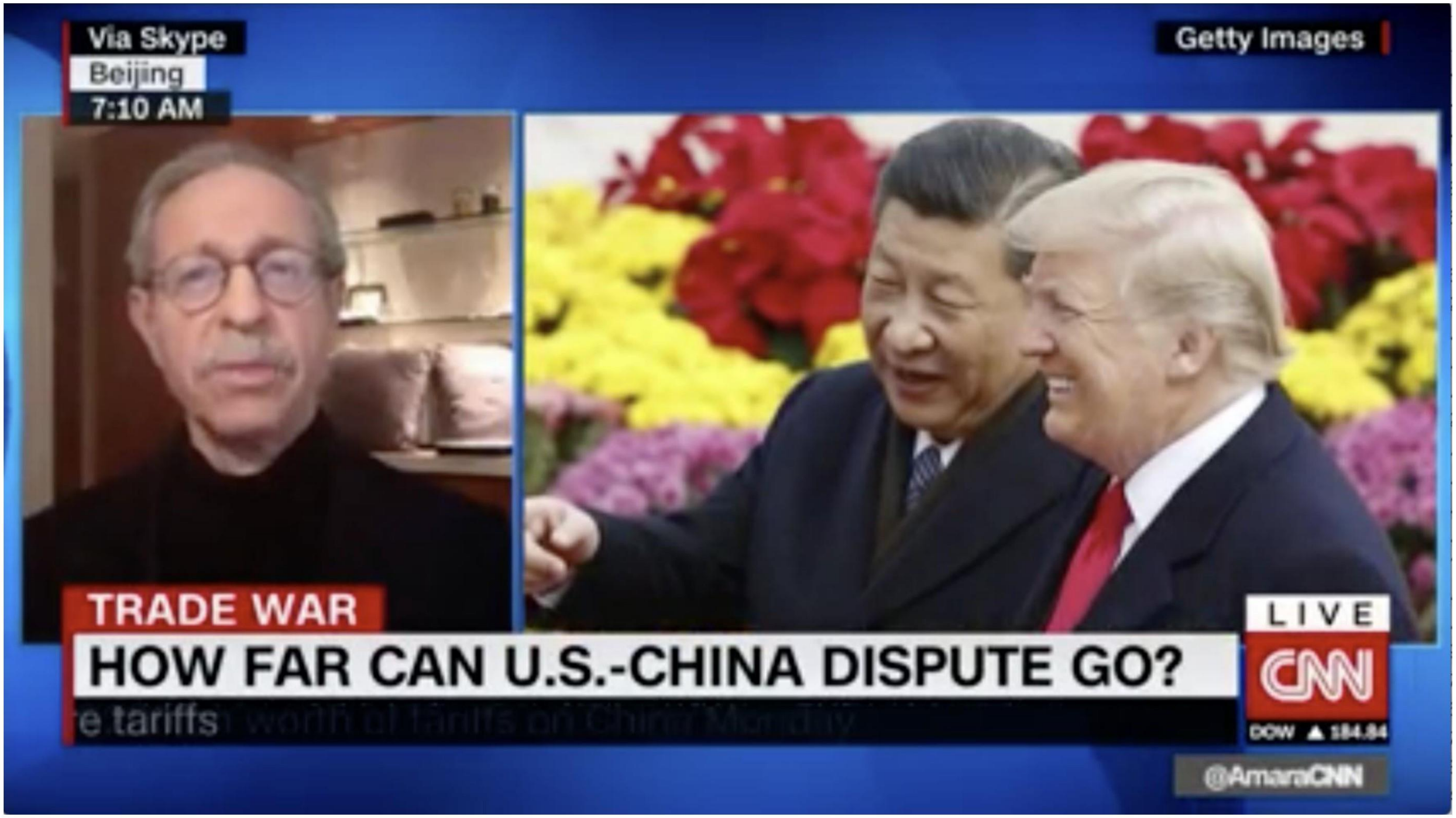
CNN – CNN Today

New Tariffs — Trade War

Robert Lawrence Kuhn, September 18, 2018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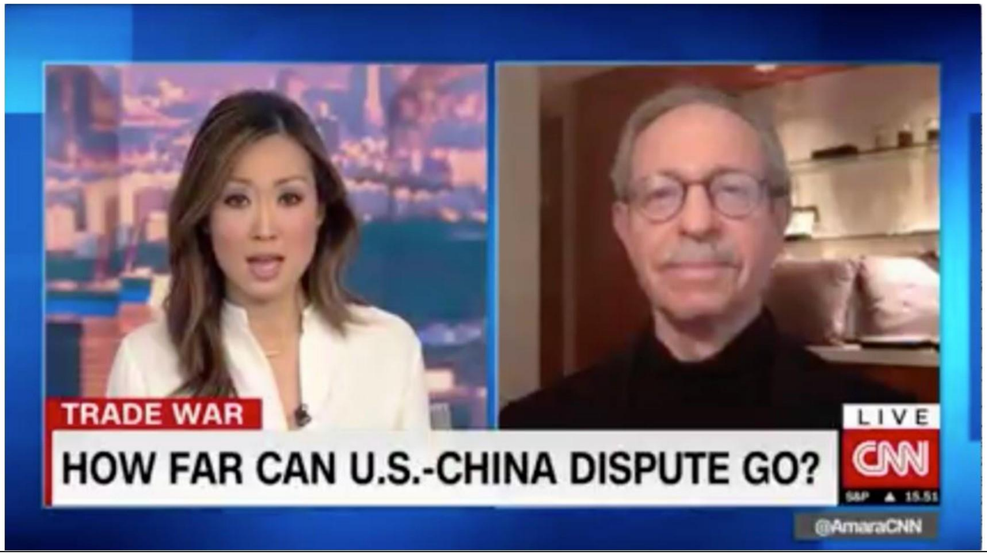
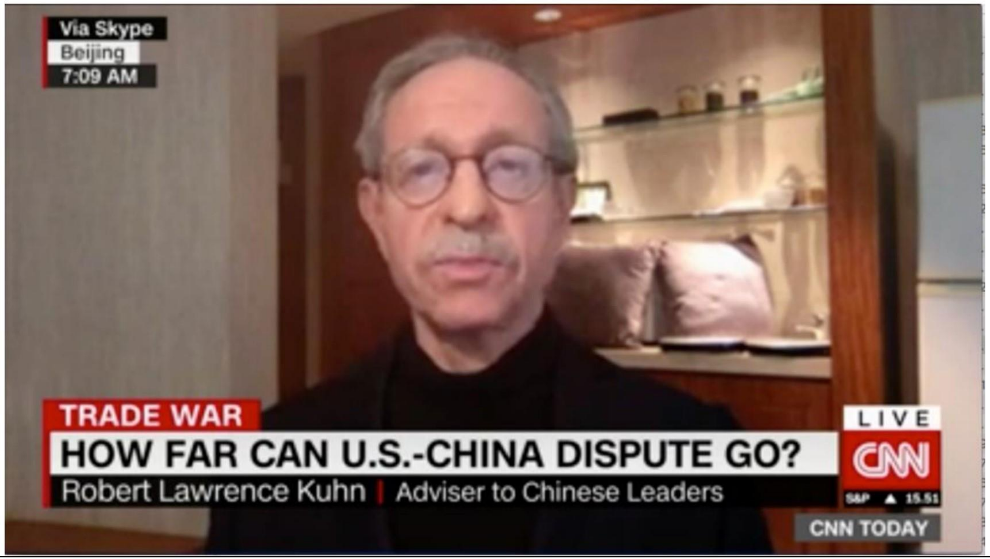
TRADE WAR
HOW FAR CAN U.S.-CHINA DISPUTE GO?
e tariffs
LIVE
CNN
DOW ▲ 184.84
@AmaraCNN

HOST: Robert Lawrence Kuhn joining us via skype from Beijing. He's the author of *How China's Leaders Think* and a longtime advisor to Chinese leaders and corporations. Robert, we appreciate you joining us. First off, you know it seems like Trump's strategy here is to force China into concessions with these tariffs. What's China's view on that?	 TRADE WAR HOW FAR CAN U.S.-CHINA DISPUTE GO? LIVE CNN S&P ▲ 15.51 @AmaraCNN
RLK: China's view is that the economic ties between China and the rest of the world, the United States in particular, is very important for the peace and prosperity of the world.	 Via Skype Beijing 7:09 AM TRADE WAR HOW FAR CAN U.S.-CHINA DISPUTE GO? Robert Lawrence Kuhn | Adviser to Chinese Leaders LIVE CNN S&P ▲ 15.51 CNN TODAY

RLK: And indeed for the entire economic relationships and standards of living of all people. There are real issues and I think we need to discuss them. But right now, China is sending signals by what it's doing, that it wants to ratchet down the trade war. It recognizes that it cannot be unresponsive.

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TRADE WAR
HOW FAR CAN U.S.-CHINA DISPUTE GO?
U.S. slapped $200 bn worth of tariffs on China Monday
LIVE
CNN
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CNN TODAY

RLK: In China, the legitimacy of the government and indeed of the Communist Party is based upon two cardinal factors. One is the economy. This is the 40th year of China's reform and opening up — truly an economic miracle, an astonishing increase in standards of living.

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TRADE WAR
HOW FAR CAN U.S.-CHINA DISPUTE GO?
U.S. slapped $200 bn worth of tariffs on China Monday
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CNN
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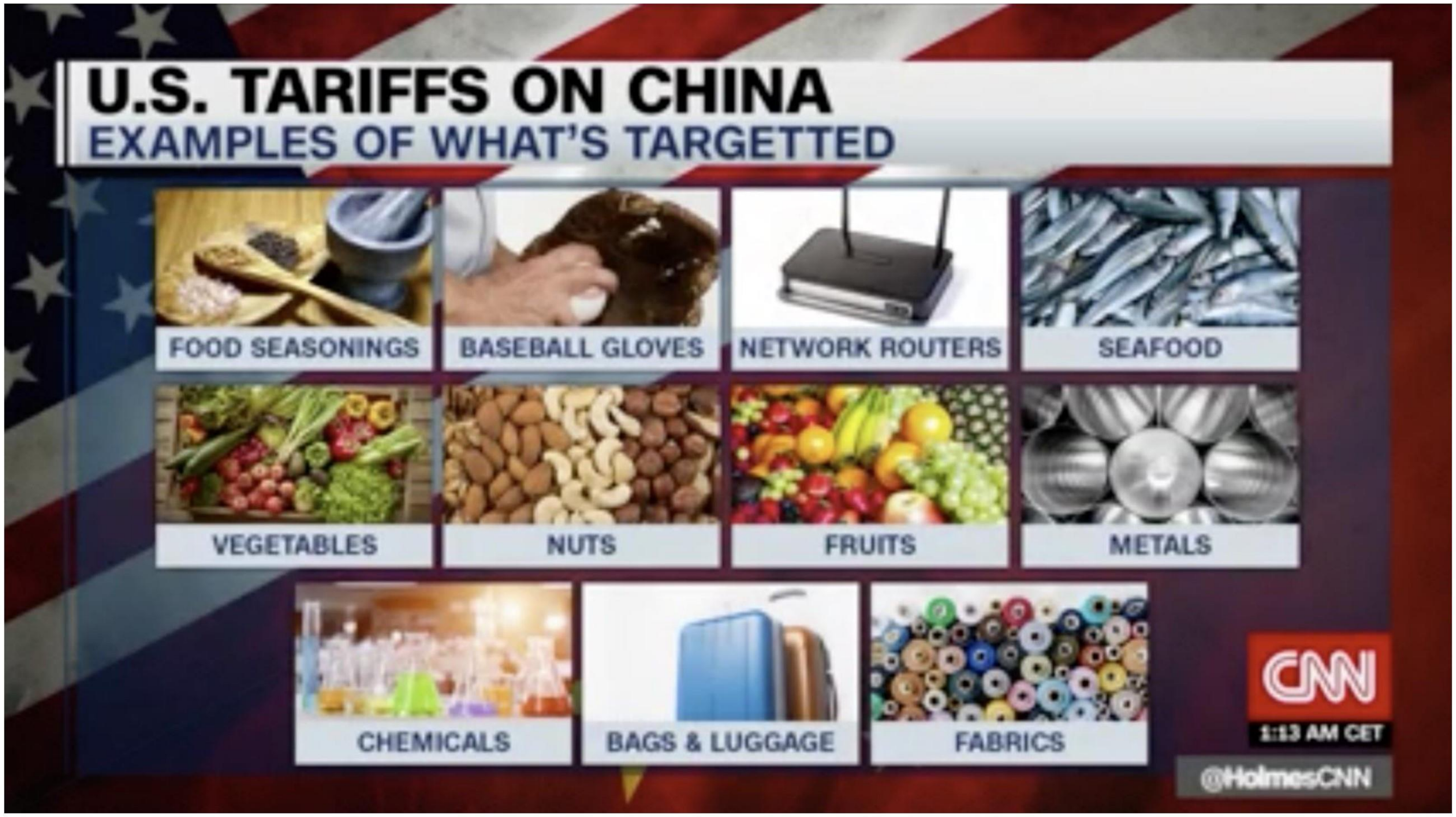
@HolmesCNN

RLK: The GDP per capita has gone up more than 50 times in these 40 years. And so that's number one. But number two is national rejuvenation, national pride. This is what the government and the Party has brought to China in terms of its position in the world. So it cannot back down and look weak in terms of these tariff attacks. But given that, given that environment, the Chinese response is very carefully calibrated.	Via Skype Beijing 7:10 AM Getty Images TRADE WAR HOW FAR CAN U.S.-CHINA DISPUTE GO? e tariffs LIVE CNN DOW ▲ 184.84 @AmaraCNN
RLK: China levying tariffs on $60 billion is not dollar for dollar, the way the first $50 billion was. But what it is, in fact, is in proportion — because $60 billion is roughly 40 percent of the roughly $150 billion of the total US exports to China, just as $200 billion is roughly 40 percent of the little over $500 billion of the total China exports to the US.	Via Skype Beijing 7:10 AM TRADE WAR HOW FAR CAN U.S.-CHINA DISPUTE GO? Robert Lawrence Kuhn | Author, "How China's Leaders Think" LIVE CNN NAS ▲ 60.32 CNN TODAY

RLK: So it's a proportional response. The rhetoric in the press is also milder. US has not been called so much of bullying anymore. Also some of China's tariffs are 5 percent as well as 10 percent, whereas the US tariffs are all 10 percent [going up to 25 percent]. So China is sending a signal that it wants to ratchet this down.


U.S. TARIFFS ON CHINA
EXAMPLES OF WHAT'S TARGETTED
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CNN
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@HolmesCNN

HOST: So, if China is sending these signals then, Robert, is there a chance that China would actually come to the table and continue to have these trade talks as they've been scheduled for the coming days?

RLK: Unlikely that the top trade negotiator would come under these circumstances, because then it looks like they're coming under the threat of a gun to their head, an analogy that has been used. Possibly that a lower level delegation would come. It's unlikely though that we'll see any real movement before the midterm elections.

TRADE WAR
HOW FAR CAN U.S.-CHINA DISPUTE GO?
China hit U.S. with $60 bn worth of tariffs Tuesday
LIVE
CNN
S&P ▲ 15.51
CNN TODAY

Via Skype
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TRADE WAR
HOW FAR CAN U.S.-CHINA DISPUTE GO?
U.S. slapped $200 bn worth of tariffs on China Monday
LIVE
CNN
S&P ▲ 15.51
@HolmesCNN

RLK: I think there has to be some backchannel working. To put the real situation on the table, there are five major issues that the US is concerned about in addition to the trade deficit. The trade deficit is actually complicated because there are services of $40 billion dollars that Chinese tourists and students pay. It's not excluding the transfer pricing of components that are shipped into China. So the trade deficit, which benefits a lot of American consumers with cheaper products at a good quality is not as relevant as popular opinion would suggest.	
RLK: Most experts do not really focus on the trade deficit. American experts focus on five things: the lack of open Chinese markets; intellectual property protection, industrial espionage, including cyber theft; tech transfer being forced (in joint ventures);, and Chinese government subsidies for critical technologies or industries.	

Via Skype
Beijing
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TRADE WAR
HOW FAR CAN U.S.-CHINA DISPUTE GO?
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Via Skype
Beijing
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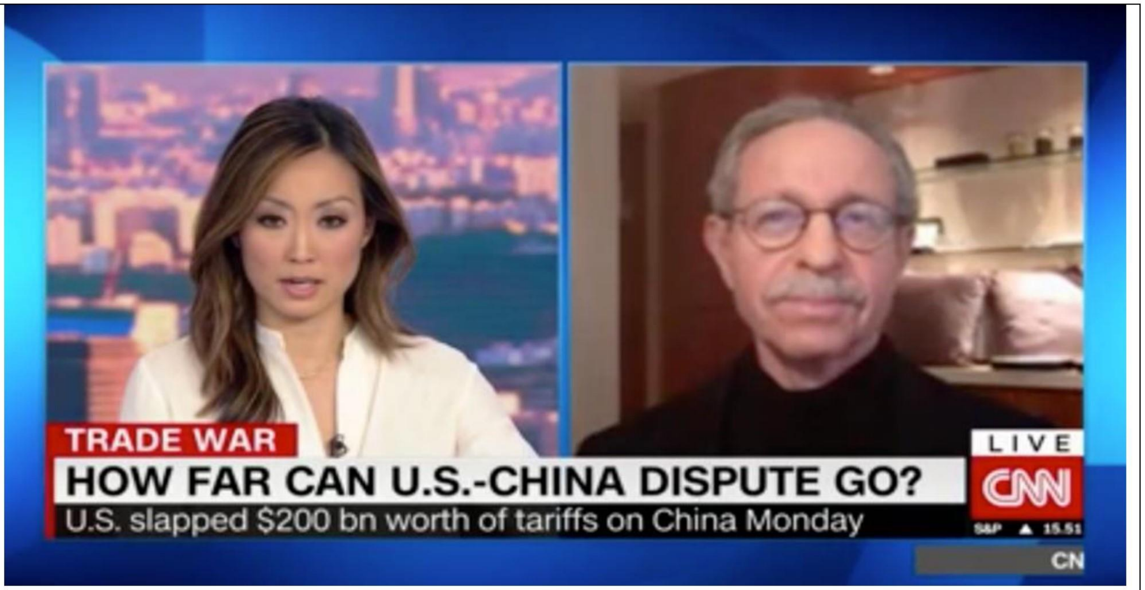
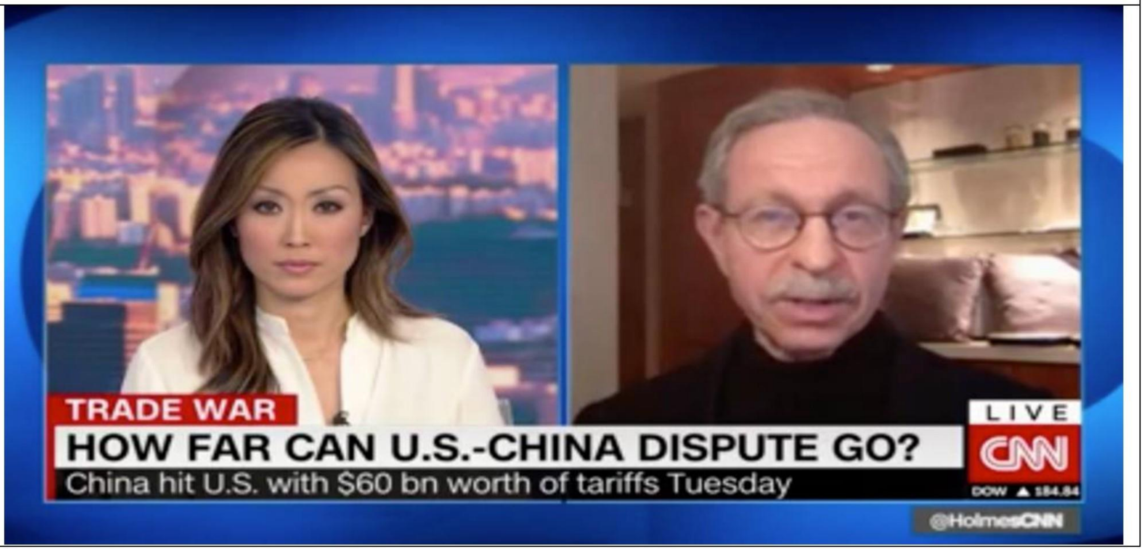
TRADE WAR
HOW FAR CAN U.S.-CHINA DISPUTE GO?
Robert Lawrence Kuhn | Adviser to Chinese Leaders
LIVE
CNN
11:12 PM GMT
CNN TODAY

RLK: If we look at these, China's making real progress in intellectual property, reducing cyber theft — more needs to be done. Not requiring tech transfer. The big one, which they won't change, is government subsidy for nascent technologies of the future. Such government-industry cooperation is part of the Chinese system — that's beyond their red line.	Via Skype Beijing 7:12 AM TRADE WAR HOW FAR CAN U.S.-CHINA DISPUTE GO? Robert Lawrence Kuhn | Adviser to Chinese Leaders LIVE CNN S&P ▲ 15.51 @AmaraCNN
RLK: But China should be able to open their markets — and we should be able to have a trade between seriously open markets, which even Chinese economists say is good for the Chinese economy and very good for the world and American companies — and some sort of a recognition that China will continue to subsidize industries. That's where it will happen, we hope soon.	TRADE WAR HOW FAR CAN U.S.-CHINA DISPUTE GO? U.S. slapped $200 bn worth of tariffs on China Monday LIVE CNN NAS ▲ 60.32 @AmaraCNN

CNN

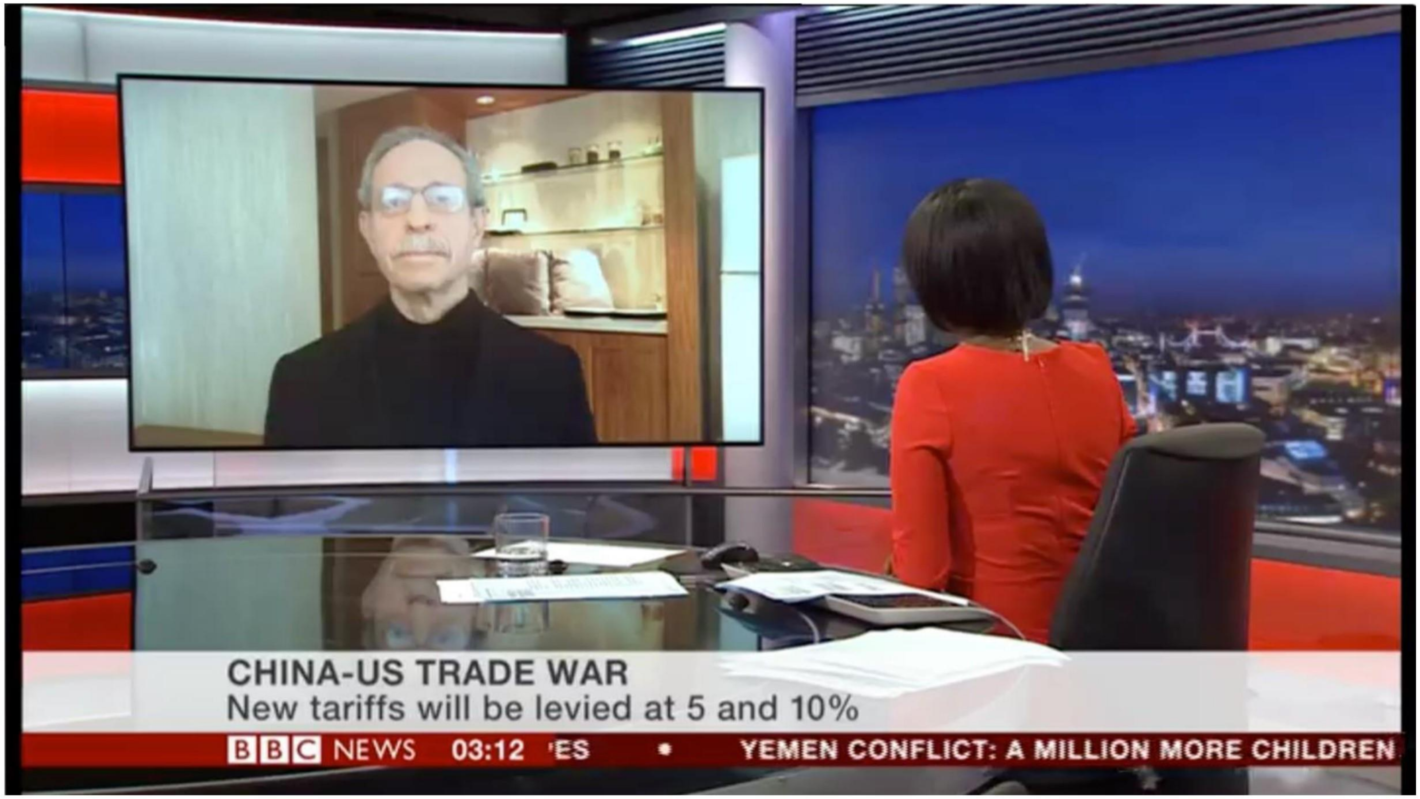
HOST: Yeah. So then if there is room for a trade deal from an expert like you, that there's room for both sides to agree to a deal that would benefit both the United States and China. How would you advise President Trump in terms of his tactic and how he should approach China? **RLK: You know, I am not going to be an expert in advising President Trump on tactics. I'm not sure he's amenable to advice and he has his own style.**	TRADE WAR HOW FAR CAN U.S.-CHINA DISPUTE GO? U.S. slapped $200 bn worth of tariffs on China Monday LIVE CNN S&P ▲ 15.51 CN
RLK: And many people in the US — let's put it on the table — who disagree with Trump on virtually every other policy — support Trump either overtly or quietly on his approach to China. And that's because there's general recognition in the US — from Bernie Sanders Democrats all the way on the left to the rightwing Republicans all the way on the right who favor Trump — that something needs to be done to alter the US trade relationships, and the US' overall relationships, with China.	TRADE WAR HOW FAR CAN U.S.-CHINA DISPUTE GO? China hit U.S. with $60 bn worth of tariffs Tuesday LIVE CNN DOW ▲ 184.84 @HolmesCNN

RLK: So Trump recognizes that and he is getting political credit for that — whether people like it or not. **There's unlikely to be anything before the midterms, but if President Trump is doing what he's doing, he needs to recognize that these issues that I articulated are really the critical issues. And China will be willing to make changes on them. They've already made changes on many of them, like on intellectual property rights, as I said**	Via Skype Beijing 7:14 AM TRADE WAR HOW FAR CAN U.S.-CHINA DISPUTE GO? Robert Lawrence Kuhn | Adviser to Chinese Leaders LIVE CNN S&P ▲ 15.51 @HolmesCNN
RLK: . But if Trump can recognize what is really needed and what China will do, then Trump can get a huge win out of this, which is actually at the same time beneficial to China. That's a small needle hole at this point though which to look. But I think, ultimately, that's what will happen. **HOST: Robert Lawrence Kuhn, thank you very much for your expertise. I appreciate it.**	TRADE WAR HOW FAR CAN U.S.-CHINA DISPUTE GO? U.S. slapped $200 bn worth of tariffs on China Monday LIVE CNN 11:14 PM GMT @HolmesCNN

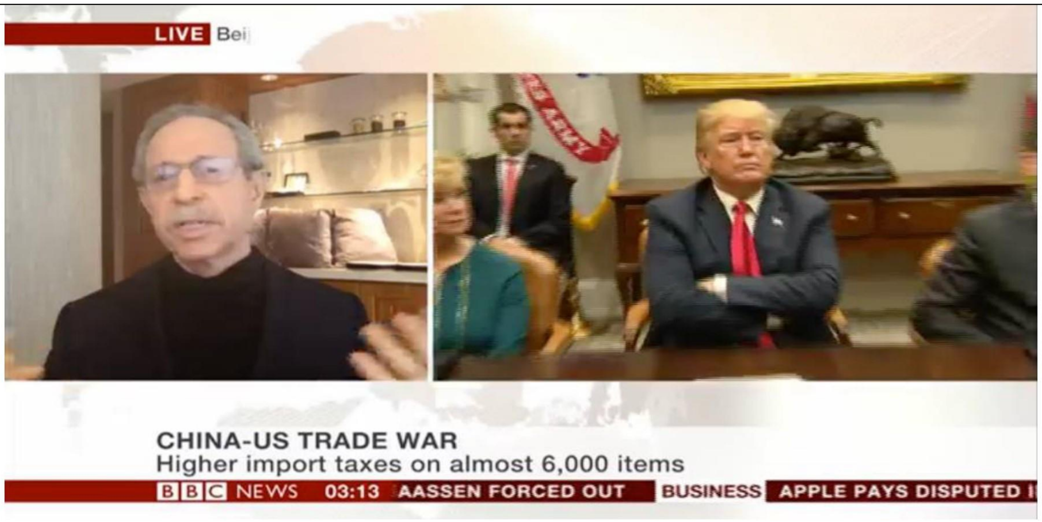
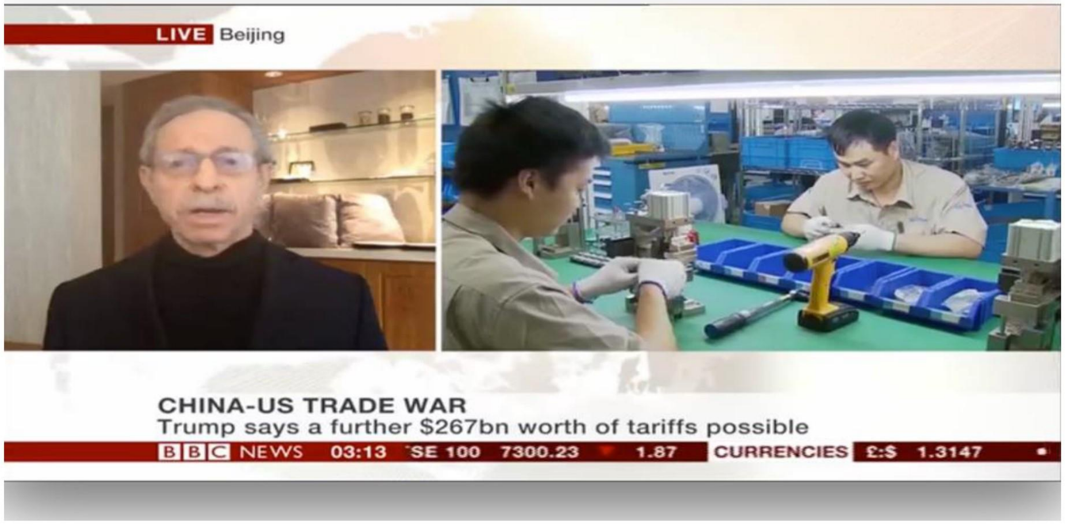
BBC World News

New Tariffs — Trade War

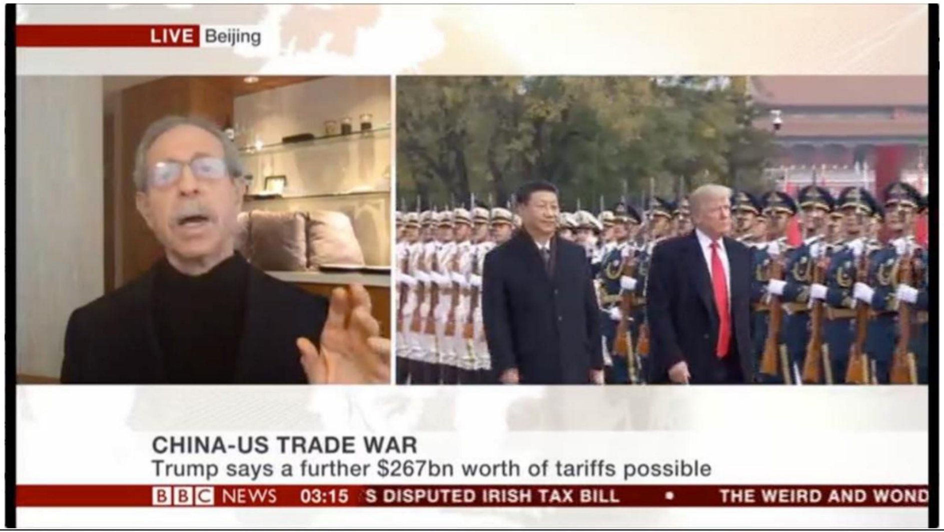
Robert Lawrence Kuhn, September 18, 2018


CHINA-US TRADE WAR
New tariffs will be levied at 5 and 10%
BBC NEWS 03:12 'ES
YEMEN CONFLICT: A MILLION MORE CHILDREN

HOST: China imposes another $60 billion of tariffs on US imports a day after President Trump announces tariffs on $200 billion of Chinese goods. Well, let's get more on that story now. We're joined from Beijing by Robert Lawrence Kuhn who advises China's leaders and multinational corporations. He's also the author of "How China's Leaders Think". How do they think about this? It's difficult to know where this might end.	LIVE Local Time 10 ROBERT LAWRENCE KUHN Adviser to Chinese government BBC NEWS 03:12 MINE, NGO WARNS • SESAME WORKSHOP SAYS BER
RLK: Let's look at what just happened. China retaliated with $60 billion worth of U.S. goods that it was putting tariffs on, but half of it was five percent, half was 10 percent, which is less than the American side, which was 10 percent on all. And the $60 billion is proportional in the sense that it is about 40 percent of the total US exports to China. Just as the $200 billion was about 40 percent of the little bit more than $500 billion that China exports to the US. So that's the proportionality.	LIVE Beijing CHINA-US TRADE WAR Higher import taxes on almost 6,000 items BBC NEWS 03:12 OPOSAL • CHEMNITZ UNREST: GERMAN TOP SPY MA

RLK: There's a lot of talk there might have been more countermeasures like selling treasury bonds or disrupting American companies. That hasn't occurred yet. China is sending signals that it's ratcheting down the escalation, not trying to escalate it. China has to respond. The government of China, the Communist Party of China, the leading Party, the ruling party here, has two big facets that justifies its legitimacy.	 LIVE Bei CHINA-US TRADE WAR Higher import taxes on almost 6,000 items BBC NEWS 03:13 AASSEN FORCED OUT BUSINESS APPLE PAYS DISPUTED
RLK: One is the economic growth. This is the 40th anniversary of reform and opening up — China's economic miracle. Increasing GDP per capita is almost 50 times, making the standards of living of the vast majority of people quite decent. Second area is national rejuvenation, national pride. And so the trade war affects both. You have economics, and the pride: the economics, the tariffs, are certainly suboptimal in all respects for all countries, but China must respond because it	 LIVE Beijing CHINA-US TRADE WAR Trump says a further $267bn worth of tariffs possible BBC NEWS 03:13 SE 100 7300.23 1.87 CURRENCIES £:$ 1.3147

has to maintain the dignity of the country, but it does so in a way to signal that it wants this to resolve. RLK: It won't resolve soon. No one expects it before the mid-term elections. But it's very important to understand from the US point of view what the real issues are and where we seek the solution. HOST: What are the real issues?	LIVE Local Time 10:14 SIPG 上港集团 CHINA-US TRADE WAR US imposes new tariffs on $200bn of Chinese goods BBC NEWS 03:14 vs • TWITTER @BBCNews HEADLINES CHRISTINE
RLK: There are five real issues and I do not include the trade deficit — because, obviously the trade deficit is complicated. You have components coming from other countries that is counted as part of the trade deficit, but China gets no benefit from them. An iPhone for example. Maybe, China gets 6 or 10 percent of the cost of roughly $350 for a $1000 retail price. China has also service purchases that's not included in the trade deficit, something like $40 billion per year — tourists, students.	LIVE Beijing CHINA-US TRADE WAR BBC NEWS 03:13 T BUSINESS APPLE PAYS DISPUTED IRISH TAX BILL •

RLK: But there are five big issues that are really critical. Opening up of China's markets which have been closed. They're making some progress, not enough. Intellectual property: this is an area that China really has made substantial progress. Again, not enough, need to do more, but they've made substantial progress. This is affecting Chinese companies and China knows it needs to improve IP protection.	 LIVE Beijing CHINA-US TRADE WAR Trump says a further $267bn worth of tariffs possible BBC NEWS 03:15 S DISPUTED IRISH TAX BILL • THE WEIRD AND WOND
RLK: Third is industrial espionage, a very sensitive area. Cyber theft: China has decreased it. It's a complicated area. It needs to do more. Hard to know what the government does and doesn't do, but everybody knows that's looked at.	LIVE Beijing tex CHINA-US TRADE WAR BBC NEWS 03:15 N • STORM FLORENCE: RESIDENTS WARNED 'NOT TO

RLK: Fourth is technology transfer. And then government support of new technologies. The last is the most sensitive one.	 LIVE CHINA-US TRADE WAR Trump: Tariffs in response to 'unfair trade practices' BBC NEWS 03:15 OK ACCUSED OF JOB AD GENDER DISCRIMINATION SPORT
HOST: Robert Lawrence Kuhn, we're going to have to leave it there. Lots to talk about. We do appreciate your time.	 LIVE Beijing CHINA-US TRADE WAR Trump: Tariffs in response to 'unfair trade practices' BBC NEWS 03:15 ISCRIMINATION SPORT LIVERPOOL 3-2 PARIS ST-GERMAI

From: Richard Kahn [redacted]
Sent: 10/15/2018 6:56:57 PM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: Fwd: The Unsteady Undertow Commands the Seas (Temporarily)
Attachments: The Unsteady Undertow Commands the Seas (Temporarily).pdf; Untitled attachment 572865.htm

Importance: High

Richard Kahn
HBRK Associates Inc.
575 Lexington Avenue 4th Floor
New York, NY 10022
tel [redacted]
fax [redacted]
cell [redacted]

Begin forwarded message:

From: Judie Taylor <[redacted]>
Subject: The Unsteady Undertow Commands the Seas (Temporarily)
Date: October 15, 2018 at 2:36:30 PM EDT
To: [redacted]

Sunday Night Insight
October 14, 2018

The Unsteady Undertow Commands the Seas (Temporarily)

Sharmin Mossavar-Rahmani	Chief Investment Officer
Brett Nelson	Head of Tactical Asset Allocation
Maziar Minovi	Managing Director
Andrew Dubinsky	Vice President
Michael Murdoch	Vice President
Mary Rich	Vice President

The 7.8% intraday peak-to-trough decline in US equities between September 21st and October 11th has rattled investor confidence. Numerous headlines of stock market "carnage" have further eroded their confidence. As a result, some of our clients have asked whether this drop signifies the beginning of the end of a nearly 10-year bull market.

We do not think so. So far, this pullback is actually smaller than the two prior downdrafts we experienced in late January and in mid-March, neither of which derailed the US economy nor the bull market. The steady factors we highlighted in our annual Outlook—such as economic growth, benign inflation, robust earnings, and low probability of recession—have not dissipated. Furthermore, while the investor focus has shifted to the risks around the unsteady undertow, most of these factors are, on balance, less concerning today than they were at the beginning of 2018.

Of course, that is not the case across all geopolitical concerns. While trade tensions with Mexico and Canada have abated, those with China have certainly deteriorated and will continue to do so for the foreseeable future. But, in aggregate, there has been more improvement than deterioration, in our view.

In this Sunday Night Insight, we will provide a brief update on the steady factors and unsteady undertow. We then conclude with our view that the steady factors will likely continue to win this tug-of-war between the two.

Steady Factors

While the headlines warn of equity market carnage, the facts do not support such alarming headlines. The S&P 500 is still up 5.1% on a year-to-date total return basis and financial conditions remain at easier levels today than they did when the Federal Reserve began this tightening cycle in 2015, despite the recent decline in equities and 0.76 percentage point increase in 10-year Treasury yields year-to-date. Most importantly, as highlighted by Federal Reserve Chairman, Jerome Powell, we are in "extraordinary times" of steady growth and low inflation.

Economic Growth

Economic growth remains firm in the US. Both the Institute for Supply Management leading indexes for manufacturing and non-manufacturing remain at very strong levels. Current activity indicators of real GDP growth average about 3.5% for the third quarter and closer to 4% for the fourth quarter. Forecasts for third quarter real GDP average 3.8% and fourth quarter forecasts are about 2.8%. While growth is slowing from the 4.2% estimate of the second quarter, it is still forecast to be above trend and we believe a modest slowdown is certainly preferable to continued growth at a pace that was likely unsustainable and possibly even inflationary.

In aggregate, the economic data since the intraday peak of US equities on September 21st does not point to any worrisome slowdown in GDP growth or the pace of employment. In fact, while the recent 134K increase in non-farm payrolls was less than expectations, revisions to earlier months offset the modest headline miss and the unemployment rate still fell to 3.7%. Furthermore, this 134k increase is above the estimated sustainable level of employment growth based on population growth and changes in labor force participation, which our colleagues in Goldman Investment Research estimate is around 96k. Importantly, a modest slowdown in the 3-month average of non-farm payrolls, which currently stands at a very robust 190k jobs, is more likely to keep inflation in check.

Robust Earnings and Buybacks

Continued above-trend economic growth is supporting solid corporate fundamentals. While many are quick to dismiss this strength to US tax reform, it is only half the story. Earnings before interest and taxes (EBIT) expanded by a very healthy 12% in the first half of this year and are expected to grow by double-digits again in the third quarter. This robust organic profit growth is also fueling sizable corporate buybacks—a key source of equity market support. Our colleagues on the corporate buyback desk expect the highest dollar amount for buybacks on record in 2018, with $1tn in authorizations and $850bn in executed buybacks.

Even so, such robust earnings growth has begun to foster concern that we have reached a peak in EPS growth. While we do expect the pace of growth to slow next year, a local peak in earnings growth has not signified an imminent peak in the S&P 500 historically. In fact, about 3/4ths of market peaks occurred more than two years after the peak in the growth rate of earnings. Moreover, stock market returns have remained healthy during this period, with high odds of a positive outcome over the subsequent 6-24 months (see Exhibit 1). In short, the market ultimately follows the path of earnings and while their growth rate may be slowing, their absolute level is still rising.

Source: Investment Strategy Group, Bloomberg.

Inflation and Interest Rates

Inflation data has remained at relatively low levels for all of 2018, as shown in Exhibits 2 and 3. In fact, some of the most recent data released in October have ticked slightly lower. Average hourly earnings dropped to 2.8% from the prior month's level of 2.9%. Headline CPI dropped to 2.3% from 2.7% and Core CPI ex-food and energy remain at a low 2.2%, unchanged from the prior month. The Federal Reserve's preferred inflation indicator, Core PCE, also remains low at 2.0% which is in line with the Federal Reserve's target, and unchanged from the prior month.

While 10-year Treasury yields have risen by 0.76% (or 76 basis points) over the course of 2018, we do not think the resulting 3.2% yield is enough to derail US economic growth. Keep in mind that most of the recent increase since late August was due to stronger real growth rather than runaway inflation expectations. We expect interest rates to range between 3.0% and 3.5% in 2019 with a midpoint of 3.25%, barring any major geopolitical conflicts such as one between US and China and or escalating conflicts in the Middle East.

Note: Average hourly earnings is available for the private sector starting in 2006 and is released in the monthly employment report. The BLS hourly earnings data for production and nonsupervisory employees, ~80% of the private sector, is available back to 1964.
Source: Investment Strategy Group, Haver.

Source: Investment Strategy Group, Haver.

Of course, the recent backup in interest rates is providing equity investors with another source of angst. Yet our work suggests there are several reasons why rates could continue to rise before becoming a material headwind for stocks. First, the 4% trend growth rate of nominal US GDP—reflecting 2% real growth and 2% inflation—remains comfortably above the 10-year Treasury yield of

3.2% (i.e. the cost of borrowing). Stocks typically struggle when the cost of borrowing exceeds the nominal growth of the economy (see Exhibit 4). Second, the recent backup in interest rates was driven primarily by improving real growth expectations, not higher inflation. This distinction is critical, because higher rates in response to improving real growth tend to benefit earnings sufficiently to overcome the downward pressure they place on valuation multiples. Finally, it will take a number of years before higher rates meaningfully impact aggregate S&P 500 interest expense, considering 91% of S&P 500 debt is fixed-rate and only 13% matures over the next two years.

Source: Investment Strategy Group, Bloomberg.

Low Probability of Recession

We continue to maintain a low, 10%, probability of recession driven by:

- The positive trend of leading economic indicators
- Low levels of inflation
- The continued slow but steady pace of Federal Reserve interest rate hikes. We believe that Federal Reserve Chairman Powell's recent commentary indicates that the FOMC will continue to be driven by data and financial market conditions. Their stated goal is to extend this expansion "indefinitely."[1] While the Federal Reserve dots point towards four more interest rate hikes by the end of 2019, we do not think that such hikes materially increase the odds of a recession in an economy that continues to grow at levels that are generally regarded as above trend growth in the US.

Recent steepening of the yield curve. We have highlighted two measures of the yield curve as sign-posts we watch as an early harbinger of a recession. Both have steepened since their lows, as shown in Exhibits 5 and 6.

Source: Investment Strategy Group, Bloomberg.

**"Near-Term Forward Spread" is the implied 3-month forward yield 18-months from now.*
Source: Investment Strategy Group, Bloomberg.

Unsteady Undertow

As market observers attempt to explain the recent drop in US equities, the risks of geopolitical factors have garnered considerable attention. Potential US retaliation over the recent disappearance of a Saudi journalist has only added fuel to the fire of worries given the risk that oil exports could be used as a political weapon in a world with tighter oil supply thanks to impending US sanctions on Iran.

As we review the geopolitical developments of 2018, it is clear that some of the risks have abated while others have increased. With the exception of a significant spike in oil prices due to the impact of sanctions on Iran or any escalation in US-Saudi tensions, we believe that the net impact of these shifts is not material enough to derail the US economic expansion or bull market.

Risks that have abated

Mexico: the election of the left-of-center populist president (Andrés Manuel Lopes Obrador referred to as AMLO) has reduced fear of a reversal of recent reforms. While concerns about fiscal profligacy and reverting to a nationalist energy policy that reduces oil production may reappear, AMLO does not take office until the end of the year.

Brazil: The strong showing of Jair Bolsonaro, a law-and-order former army captain, in the first round of elections and the latest data that points to a 75% probability of Bolsonaro becoming the next president of Brazil has provided a boost to the Brazilian real. His current standing has substantially reduced the election of another left-wing worker's party candidate who would keep the status quo in Brazil.

NAFTA: The agreement on a revised NAFTA deal between the US, Canada, and Mexico on September 30th meaningfully reduced the risk of the US withdrawal from NAFTA. While the new agreement, US-Mexico-Canada Agreement (USMCA), has not been ratified by the Mexican and Canadian national parliaments nor by the US congress, and a divided congress after the mid-term elections may lead to some uncertainty, we believe it is likely to be ratified.

US-EU Trade Friction: Tension between the US and European Union eased significantly after a July 2018 deal between European Commission President Juncker and President Trump to "work together toward zero tariffs, zero non-tariff barriers and zero subsidies on non-auto industrial goods". The coast is not totally clear given the threat of auto tariffs, but we do not anticipate any significant increase in trade rhetoric in the near future.

Risks that have increased

China: The trade war with China continues to escalate and as we have stated before, we believe that it cannot be resolved simply by China importing more US goods. The issues range from:

- A large and growing trade deficit with China
- Industrial policies & unfair trade practices that reduce competition, such as subsidies and "dumping good at below-market prices"
- "Made in China 2025" policies which "harm US companies"

- Uneven tariff rates and the banning of some US goods
- Intellectual property theft
- Forced technology transfer
- Strategic US technology acquisitions
- Outright cyber theft
- Foreign ownership restrictions

Recent headlines that the trade war may be escalating to a cold war are not without merit, as we believe that US-China relations are changing on a more structural basis and will have a longer-term impact. On a short-term basis, however, US exposure to China is limited with merchandise exports, corporate profits and foreign claims at about 1% of GDP. As seen in Exhibit 7, the Chinese equity markets have also deteriorated much more significantly than US markets in 2018.

Of course, specific stocks with greater exposure to China through higher sales have underperformed the S&P 500 by about 6% since the latest tariffs were imposed on $200bn of Chinese products, as shown in Exhibit 8.

Source: Investment Strategy Group, Bloomberg.

Note: High China sales basket is aggregated and defined by Goldman Sachs Global Investment Research.

Source: Investment Strategy Group, Bloomberg.

Italy: Concerns about Italy have risen to peak levels since the election of a populist government in May and credit default swaps have increased to reflect these higher risks. The government's expansive fiscal plan, with a proposed budget deficit of 2.4% of GDP, may be rejected by the European Union commission and result in rating downgrades. While the EU is likely to manage this situation in its usual incremental and reactive way, the possibility of new elections in late 2019 reigniting euro viability questions will keep Italy on our radar screens.

BREXIT: It is hard to know whether Brexit risks are unchanged, higher or lower given the minute by minute headlines out of the UK. Our base case remains that while the internal politics of the Conservative party will keep uncertainty at elevated levels and the European Union will not compromise on its key tenants of free movement of goods, services, and people, the two sides will agree to a deal that defers the difficult choices on the shape of a final agreement with the EU until late 2020.

The Middle East: Risks in the Middle East have not changed substantially with respect to Iraq, Syria, or even the impositions of sanctions on Iran. However, the disappearance of the Saudi journalist who entered the Saudi Embassy in Turkey on October 2nd has the potential to raise risks to global oil supply. While there has been a global uproar, it is not yet clear whether the US will impose serious sanctions or Saudi Arabia would retaliate by reducing oil exports if the US finds sufficient evidence regarding the alleged killing of the Saudi journalist. The recession in 1973-74 was partly due to the quadrupling of oil prices due to the Arab Oil Embargo. Later in that decade, the Iranian Revolution and the Iran-Iraq War also led to a 2.5 times spike in oil prices that, along with Federal Reserve tightening by then Chairman Paul Volcker, led to a US recession. While we think it is unlikely that Saudi Arabia would react so aggressively in the face of serious US reprisals, we note that it remains a real risk.

Some Notable Observations

US Equities Have Been Shunned All Along

In both our 2018 *Outlook* and mid-year update, we highlighted the surprising absence of inflows into US equities based on flows into mutual funds and Exchange-Traded Funds. As shown in Exhibit 9, flows into US equities were negative in 2018, even before the recent downdraft. In fact, US equities have seen outflows of $81 billion through August 2018 (based on the most recent comprehensive data), while non-US developed equities and emerging market equities have had inflows of $72 billion and $20 billion respectively. This is further evidence of our view that while sentiment and short term positioning among speculators and hedge fund managers shifts frequently, more stable investors have shunned US equities during this long bull market in favor of other developed and emerging market equities and global bonds.

This steady outflow of assets from US equities has been offset by record levels of stock buybacks by US companies given high levels of profitability and incremental cash from repatriation of overseas earnings, as mentioned above.

Note: Based on ICI weekly estimates through August 30,2018. Flows exclude reinvested dividends.
Source: Investment Strategy Group, ICI.

Some Headwinds Facing the FANGMAN Stocks Will Persist

The basket of FANGMAN (i.e. Facebook, Apple, Netflix, Google, Microsoft, Amazon and Nvidia) stocks have dropped across the board from their respective peak price levels, with Facebook’s 29% decline the largest and Apple’s 4% decline the smallest among the group. Even so, each of the stocks, with the exception of Facebook, still have positive year-to-date returns and have outperformed the S&P 500, as shown in Exhibit 10.

This is not a recommendation to buy or sell individual securities but rather an assertion that these stocks represent a small portion of S&P 500 earnings. Anyone looking to buy or sell single name equities should consult Goldman Sachs Global Investment Research.
Source: Investment Strategy Group, Bloomberg.

Nevertheless, we believe that some of the headwinds that have plagued this sector will continue. These include:

- Data privacy issues impacting a broad range of companies, including Facebook, Google, Twitter, Alipay and Tencent.
- High likelihood of greater regulatory scrutiny in the US[2] and Europe as policy makers increasingly believe that these companies will not address “the privacy and security issues of social media users”[3] on their own.
- Increased focus by ESG investors (Environment, Social, and Governance) that many of the technology and social media companies are falling short on social and governance issues.

While this basket of stocks may or may not lead the market in the future, it is important to note that they represent only 10% of S&P 500 earnings.

Investment Implications

The recent market downdraft has understandably rekindled fears that the longest bull market in history is coming to an end. While there are no certainties in investing, we do not think the odds support that conclusion based on our read of the steady and unsteady factors discussed above. Keep in mind that about 75% of historical US bear markets—defined here as equity market declines of 20% or more—have occurred during economic recessions. In fact, US equity returns have remained favorable until about five to six months prior to the onset of recession, highlighting the penalty for prematurely exiting the market (see Exhibit 11). With only 10% odds of recession over the next year, we think the economic backdrop remains favorable for stocks.

Source: Investment Strategy Group, Bloomberg.

Of course, none of the supportive factors discussed above precludes further bouts of equity volatility. As we highlighted at the beginning of the year, the historical probability of a 5% or greater correction from current valuation levels was 96%. Yet these statistics alone do not justify underweighting equities, since such pullbacks often occur after sizable equity rallies, as this year reminds us.

Moreover, such pullbacks are quite normal historically. After all, stocks have suffered a median of two pullbacks of at least 5% and one of at least 10% per calendar year in the post-WWII period, leaving both the frequency and magnitude of this year's dips in line with past experience. Most importantly, years that experienced a similar number of pullbacks as 2018 nonetheless ended with a median gain of 6% and had 77% odds of a positive return.

Conclusion

Although we have painted a less alarmist view of recent market weakness, we are by no means Pollyannaish. While bull markets do not die of old age, they do become more susceptible to ailments over time. Yet as we survey the tug of war between the steady factors and the unsteady undertow, we do not think the balance of risks is strong enough to topple the ongoing US expansion and the continued growth of corporate earnings it supports.

That said, this viewpoint does not preclude further market volatility and the market may still make new lows if the current downdraft persists. But history suggests the bull market is likely to continue until about 5-6 months prior to the end of this economic expansion. Thus, it will take a significant increase in the odds of an imminent recession to provide the trigger—that has been lacking thus far—to tactically underweight equities. In the interim, we continue to recommend that clients maintain their strategic allocation to US equities.

Sources: Investment Strategy Group, Bloomberg, Datastream, Goldman Sachs Global Investment Research, Haver.

Endnotes:

(1) Kate Davidson and Sarah Chaney, "Fed Chair Powell Sees 'Remarkably Positive Set of Economic Circumstances,'" The Wall Street Journal, October 3, 2018.

(2) Statement by the Acting Director of FTC's Bureau of Consumer Protection Regarding Reported Concerns about Facebook Privacy Practices, March 26, 2018.

(3) Senator Mark. R Warner, Press Release, September 28, 2018

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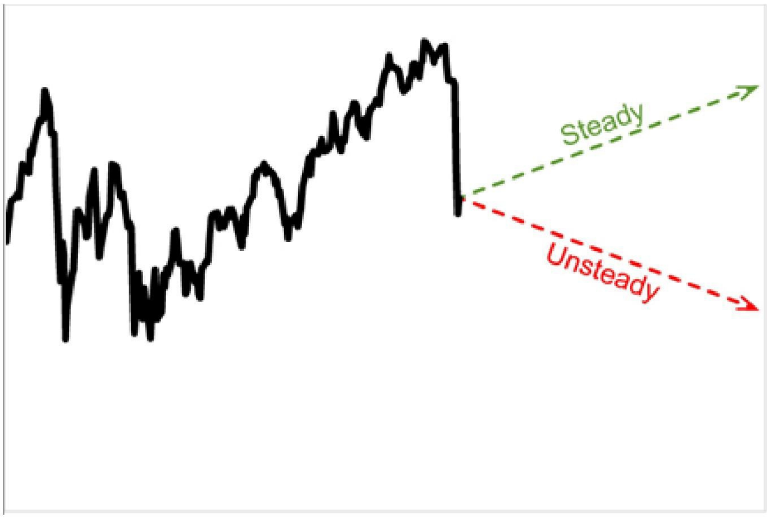
Investment Management Division
Goldman Sachs

Investment Strategy Group

Sunday Night Insight
October 14, 2018

The Unsteady Undertow Commands the Seas (Temporarily)



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Brett Nelson	Head of Tactical Asset Allocation
Maziar Minovi	Managing Director
Andrew Dubinsky	Vice President
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Mary Rich	Vice President

The 7.8% intraday peak-to-trough decline in US equities between September 21st and October 11th has rattled investor confidence. Numerous headlines of stock market "carnage" have further eroded their confidence. As a result, some of our clients have asked whether this drop signifies the beginning of the end of a nearly 10-year bull market.

We do not think so. So far, this pullback is actually smaller than the two prior downdrafts we experienced in late January and in mid-March, neither of which derailed the US economy nor the bull market. The steady factors we highlighted in our annual Outlook—such as economic growth, benign inflation, robust earnings, and low probability of recession—have not dissipated. Furthermore, while the investor focus has shifted to the risks around the unsteady undertow, most of these factors are, on balance, less concerning today than they were at the beginning of 2018.

Of course, that is not the case across all geopolitical concerns. While trade tensions with Mexico and

Canada have abated, those with China have certainly deteriorated and will continue to do so for the foreseeable future. But, in aggregate, there has been more improvement than deterioration, in our view.

In this Sunday Night Insight, we will provide a brief update on the steady factors and unsteady undertow. We then conclude with our view that the steady factors will likely continue to win this tug-of-war between the two.

Steady Factors

While the headlines warn of equity market carnage, the facts do not support such alarming headlines. The S&P 500 is still up 5.1% on a year-to-date total return basis and financial conditions remain at easier levels today than they did when the Federal Reserve began this tightening cycle in 2015, despite the recent decline in equities and 0.76 percentage point increase in 10-year Treasury yields year-to-date. Most importantly, as highlighted by Federal Reserve Chairman, Jerome Powell, we are in “extraordinary times” of steady growth and low inflation.

Economic Growth

Economic growth remains firm in the US. Both the Institute for Supply Management leading indexes for manufacturing and non-manufacturing remain at very strong levels. Current activity indicators of real GDP growth average about 3.5% for the third quarter and closer to 4% for the fourth quarter. Forecasts for third quarter real GDP average 3.8% and fourth quarter forecasts are about 2.8%. While growth is slowing from the 4.2% estimate of the second quarter, it is still forecast to be above trend and we believe a modest slowdown is certainly preferable to continued growth at a pace that was likely unsustainable and possibly even inflationary.

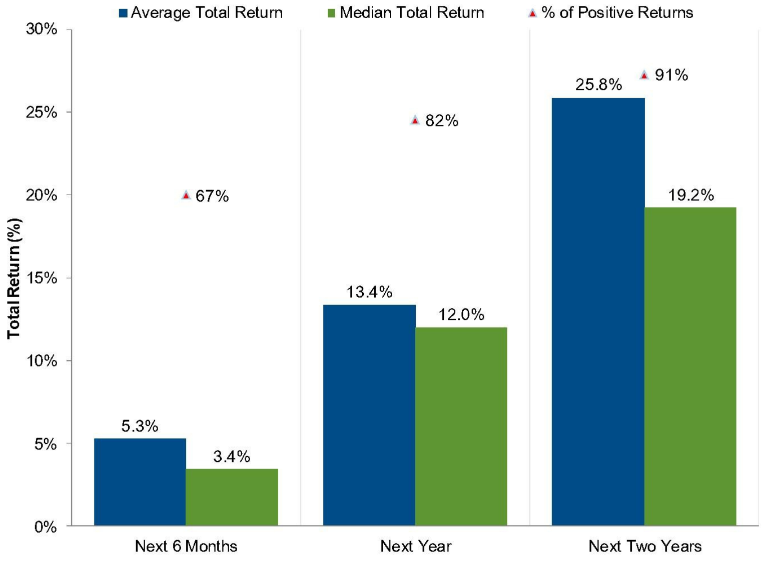
In aggregate, the economic data since the intraday peak of US equities on September 21st does not point to any worrisome slowdown in GDP growth or the pace of employment. In fact, while the recent 134K increase in non-farm payrolls was less than expectations, revisions to earlier months offset the modest headline miss and the unemployment rate still fell to 3.7%. Furthermore, this 134k increase is above the estimated sustainable level of employment growth based on population growth and changes in labor force participation, which our colleagues in Goldman Investment Research estimate is around 96k. Importantly, a modest slowdown in the 3-month average of non-farm payrolls, which currently stands at a very robust 190k jobs, is more likely to keep inflation in check.

Robust Earnings and Buybacks

Continued above-trend economic growth is supporting solid corporate fundamentals. While many are quick to dismiss this strength to US tax reform, it is only half the story. Earnings before interest and taxes (EBIT) expanded by a very healthy 12% in the first half of this year and are expected to grow by double-digits again in the third quarter. This robust organic profit growth is also fueling sizable corporate buybacks—a key source of equity market support. Our colleagues on the corporate buyback desk expect the highest dollar amount for buybacks on record in 2018, with $1tn in authorizations and $850bn in executed buybacks.

Even so, such robust earnings growth has begun to foster concern that we have reached a peak in EPS growth. While we do expect the pace of growth to slow next year, a local peak in earnings growth has not signified an imminent peak in the S&P 500 historically. In fact, about 3/4ths of market peaks occurred more than two years after the peak in the growth rate of earnings. Moreover, stock market returns have remained healthy during this period, with high odds of a positive outcome over the subsequent 6-24 months (see Exhibit 1). In short, the market ultimately follows the path of earnings and while their growth rate may be slowing, their absolute level is still rising.

1. Average / Median S&P 500 Returns Following Peaks in Earnings Growth



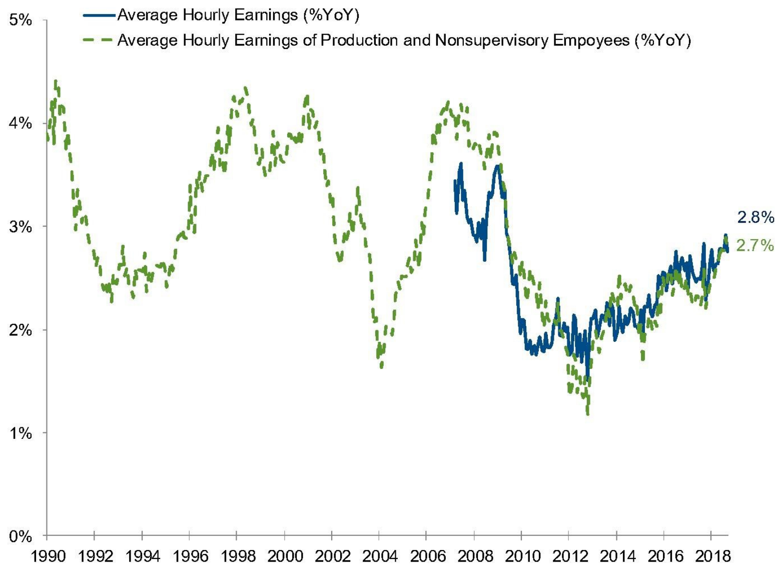
Source: Investment Strategy Group, Bloomberg.

Inflation and Interest Rates

Inflation data has remained at relatively low levels for all of 2018, as shown in Exhibits 2 and 3. In fact, some of the most recent data released in October have ticked slightly lower. Average hourly earnings dropped to 2.8% from the prior month's level of 2.9%. Headline CPI dropped to 2.3% from 2.7% and Core CPI ex-food and energy remain at a low 2.2%, unchanged from the prior month. The Federal Reserve's preferred inflation indicator, Core PCE, also remains low at 2.0% which is in line with the Federal Reserve's target, and unchanged from the prior month.

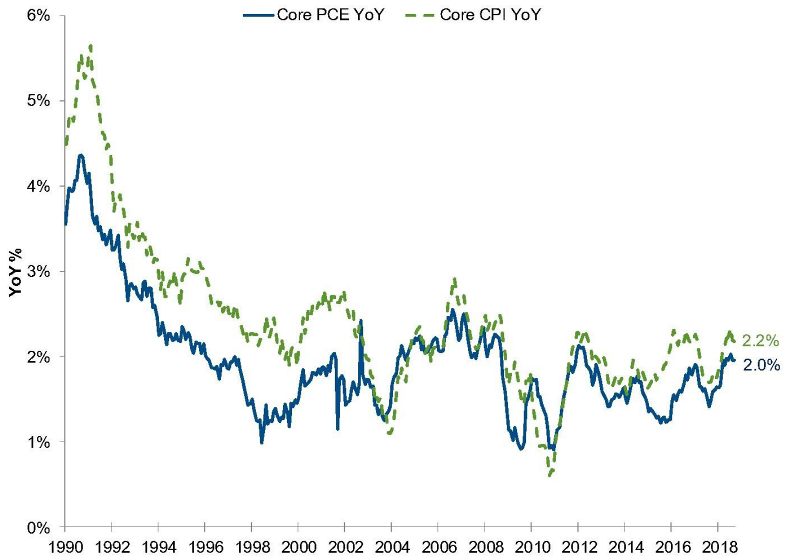
While 10-year Treasury yields have risen by 0.76% (or 76 basis points) over the course of 2018, we do not think the resulting 3.2% yield is enough to derail US economic growth. Keep in mind that most of the recent increase since late August was due to stronger real growth rather than runaway inflation expectations. We expect interest rates to range between 3.0% and 3.5% in 2019 with a midpoint of 3.25%, barring any major geopolitical conflicts such as one between US and China and or escalating conflicts in the Middle East.

2. Average Hourly Earnings



Note: Average hourly earnings is available for the private sector starting in 2006 and is released in the monthly employment report. The BLS hourly earnings data for production and nonsupervisory employees, ~80% of the private sector, is available back to 1964.
Source: Investment Strategy Group, Haver.

3. Measures of Core Inflation: Core PCE and Core CPI

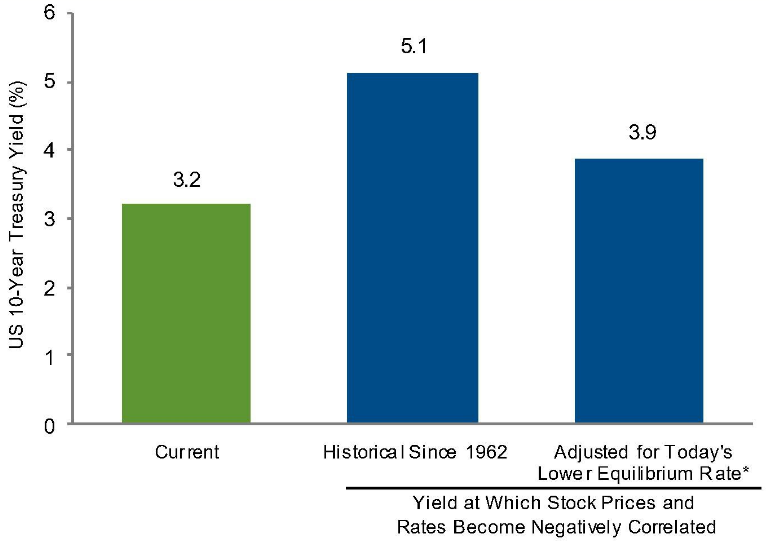


Source: Investment Strategy Group, Haver.

Of course, the recent backup in interest rates is providing equity investors with another source of angst. Yet our work suggests there are several reasons why rates could continue to rise before becoming a material headwind for stocks. First, the 4% trend growth rate of nominal US GDP—reflecting 2% real growth and 2% inflation—remains comfortably above the 10-year Treasury yield of

3.2% (i.e. the cost of borrowing). Stocks typically struggle when the cost of borrowing exceeds the nominal growth of the economy (see Exhibit 4). Second, the recent backup in interest rates was driven primarily by improving real growth expectations, not higher inflation. This distinction is critical, because higher rates in response to improving real growth tend to benefit earnings sufficiently to overcome the downward pressure they place on valuation multiples. Finally, it will take a number of years before higher rates meaningfully impact aggregate S&P 500 interest expense, considering 91% of S&P 500 debt is fixed-rate and only 13% matures over the next two years.

4. Inflection Point for Negative Correlation Between Stock Prices and Bond Yields



**Adjusts for the reduction of 1.25 percentage points in the long-run equilibrium nominal rate, in line with the shift in Federal Reserve projections since 2012.*

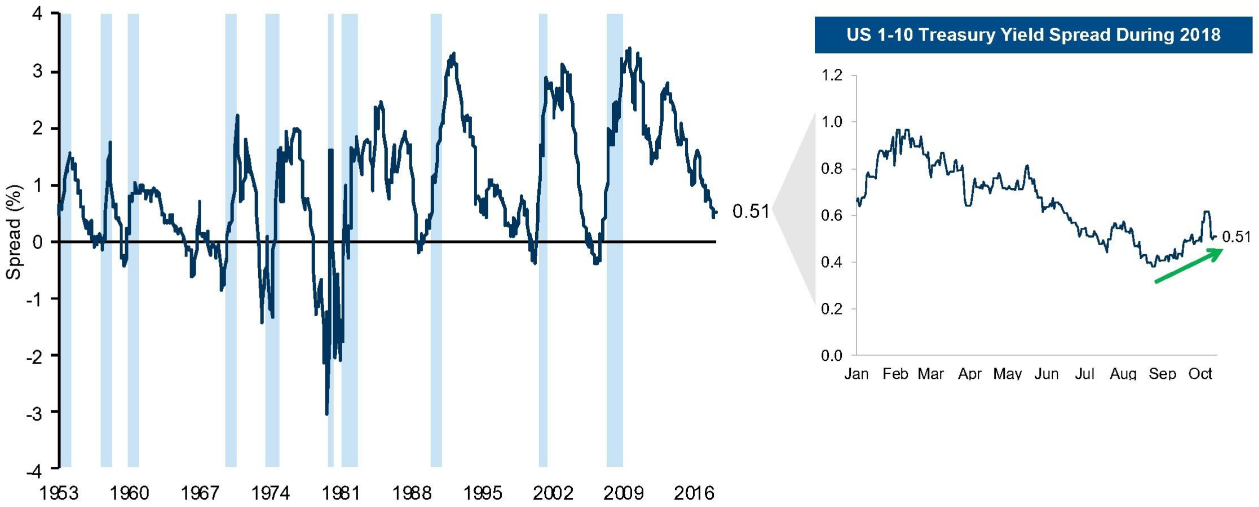
Source: Investment Strategy Group, Bloomberg.

Low Probability of Recession

We continue to maintain a low, 10%, probability of recession driven by:

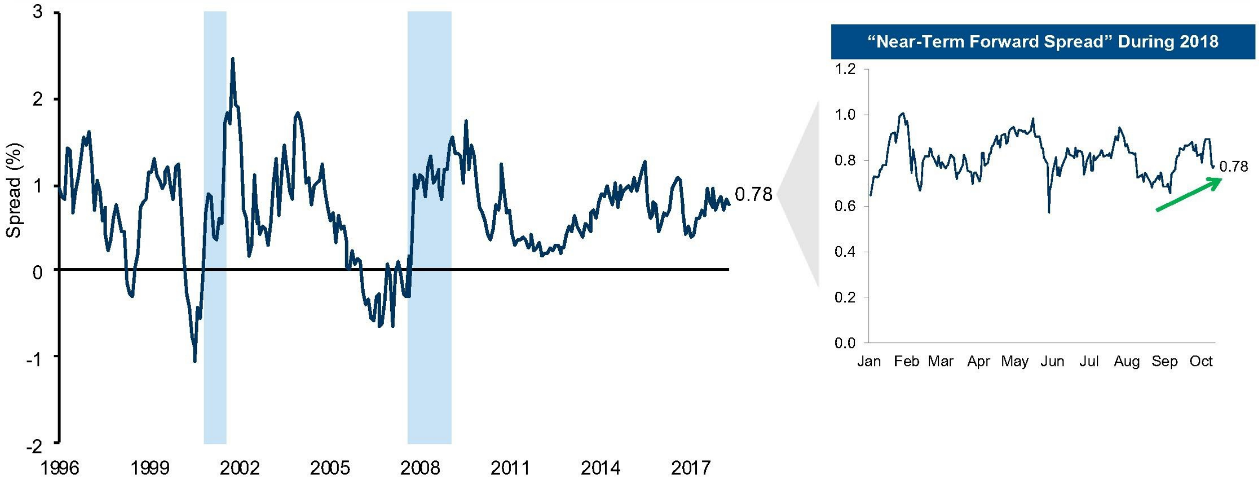
- The positive trend of leading economic indicators
- Low levels of inflation
- The continued slow but steady pace of Federal Reserve interest rate hikes. We believe that Federal Reserve Chairman Powell's recent commentary indicates that the FOMC will continue to be driven by data and financial market conditions. Their stated goal is to extend this expansion "indefinitely."[1] While the Federal Reserve dots point towards four more interest rate hikes by the end of 2019, we do not think that such hikes materially increase the odds of a recession in an economy that continues to grow at levels that are generally regarded as above trend growth in the US.
- Recent steepening of the yield curve. We have highlighted two measures of the yield curve as sign-posts we watch as an early harbinger of a recession. Both have steepened since their lows, as shown in Exhibits 5 and 6.

5. US 1-10 Treasury Yield Spread – Through October 12, 2018



Source: Investment Strategy Group, Bloomberg.

6. "Near-Term Forward Spread"* – Through October 12, 2018



*"Near-Term Forward Spread" is the implied 3-month forward yield 18-months from now.
Source: Investment Strategy Group, Bloomberg.

Unsteady Undertow

As market observers attempt to explain the recent drop in US equities, the risks of geopolitical factors have garnered considerable attention. Potential US retaliation over the recent disappearance of a Saudi journalist has only added fuel to the fire of worries given the risk that oil exports could be used as a political weapon in a world with tighter oil supply thanks to impending US sanctions on Iran.

As we review the geopolitical developments of 2018, it is clear that some of the risks have abated while others have increased. With the exception of a significant spike in oil prices due to the impact of sanctions on Iran or any escalation in US-Saudi tensions, we believe that the net impact of these shifts is not material enough to derail the US economic expansion or bull market.

Risks that have abated

Mexico: the election of the left-of-center populist president (Andrés Manuel Lopes Obrador referred to as AMLO) has reduced fear of a reversal of recent reforms. While concerns about fiscal profligacy and reverting to a nationalist energy policy that reduces oil production may reappear, AMLO does not take office until the end of the year.

Brazil: The strong showing of Jair Bolsonaro, a law-and-order former army captain, in the first round of elections and the latest data that points to a 75% probability of Bolsonaro becoming the next president of Brazil has provided a boost to the Brazilian real. His current standing has substantially reduced the election of another left-wing worker's party candidate who would keep the status quo in Brazil.

NAFTA: The agreement on a revised NAFTA deal between the US, Canada, and Mexico on September 30th meaningfully reduced the risk of the US withdrawal from NAFTA. While the new agreement, US-Mexico-Canada Agreement (USMCA), has not been ratified by the Mexican and Canadian national parliaments nor by the US congress, and a divided congress after the mid-term elections may lead to some uncertainty, we believe it is likely to be ratified.

US-EU Trade Friction: Tension between the US and European Union eased significantly after a July 2018 deal between European Commission President Juncker and President Trump to "work together toward zero tariffs, zero non-tariff barriers and zero subsidies on non-auto industrial goods". The coast is not totally clear given the threat of auto tariffs, but we do not anticipate any significant increase in trade rhetoric in the near future.

Risks that have increased

China: The trade war with China continues to escalate and as we have stated before, we believe that it cannot be resolved simply by China importing more US goods. The issues range from:

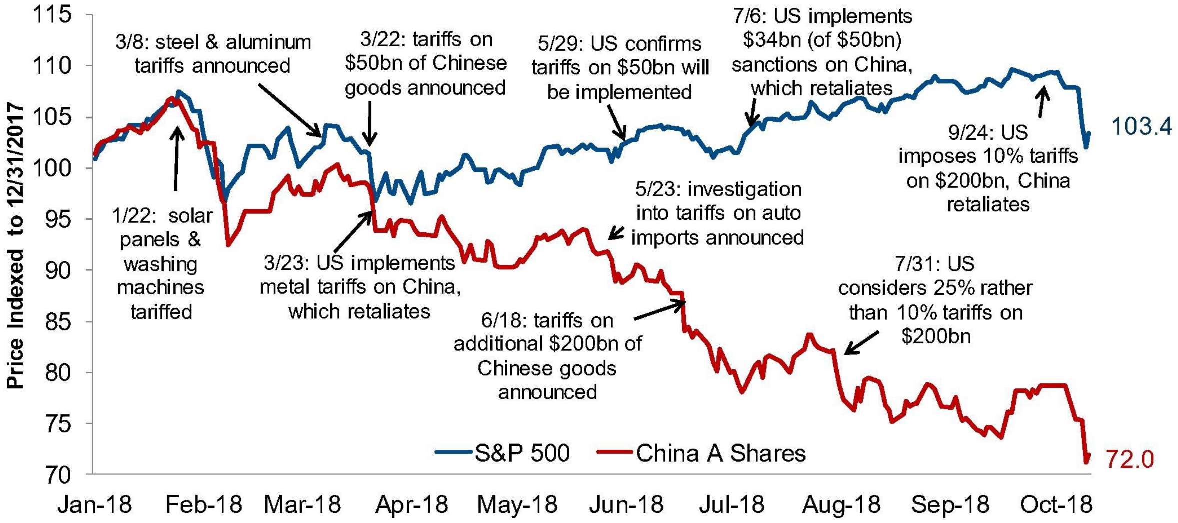
- A large and growing trade deficit with China
- Industrial policies & unfair trade practices that reduce competition, such as subsidies and "dumping good at below-market prices"
- "Made in China 2025" policies which "harm US companies"

- Uneven tariff rates and the banning of some US goods
- Intellectual property theft
- Forced technology transfer
- Strategic US technology acquisitions
- Outright cyber theft
- Foreign ownership restrictions

Recent headlines that the trade war may be escalating to a cold war are not without merit, as we believe that US-China relations are changing on a more structural basis and will have a longer-term impact. On a short-term basis, however, US exposure to China is limited with merchandise exports, corporate profits and foreign claims at about 1% of GDP. As seen in Exhibit 7, the Chinese equity markets have also deteriorated much more significantly than US markets in 2018.

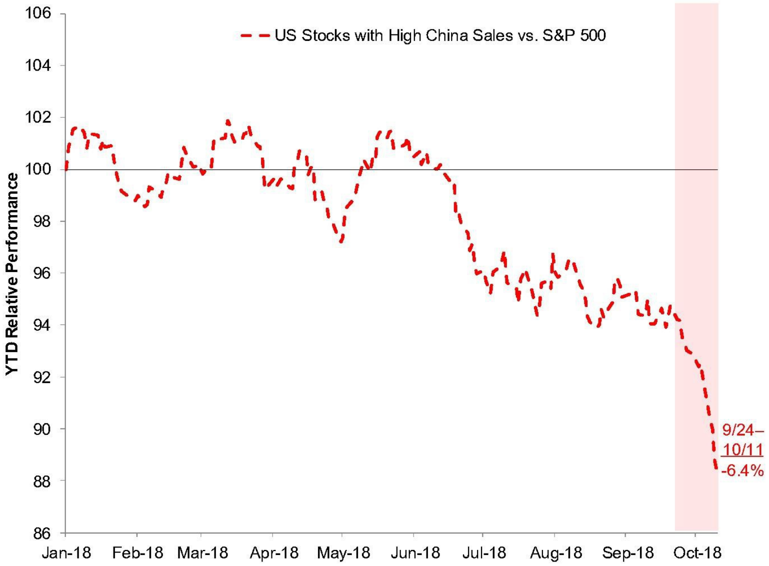
Of course, specific stocks with greater exposure to China through higher sales have underperformed the S&P 500 by about 6% since the latest tariffs were imposed on $200bn of Chinese products, as shown in Exhibit 8.

7. Impact of 2018 US Trade Actions on Equity Markets – Through October 12, 2018



Source: Investment Strategy Group, Bloomberg.

8. US Stocks with High China Sales vs. S&P 500



Note: High China sales basket is aggregated and defined by Goldman Sachs Global Investment Research.
Source: Investment Strategy Group, Goldman Sachs Global Investment Research, Bloomberg.

Italy: Concerns about Italy have risen to peak levels since the election of a populist government in May and credit default swaps have increased to reflect these higher risks. The government's expansive fiscal plan, with a proposed budget deficit of 2.4% of GDP, may be rejected by the European Union commission and result in rating downgrades. While the EU is likely to manage this situation in its usual incremental and reactive way, the possibility of new elections in late 2019 reigniting euro viability questions will keep Italy on our radar screens.

BREXIT: It is hard to know whether Brexit risks are unchanged, higher or lower given the minute by minute headlines out of the UK. Our base case remains that while the internal politics of the Conservative party will keep uncertainty at elevated levels and the European Union will not compromise on its key tenants of free movement of goods, services, and people, the two sides will agree to a deal that defers the difficult choices on the shape of a final agreement with the EU until late 2020.

The Middle East: Risks in the Middle East have not changed substantially with respect to Iraq, Syria, or even the impositions of sanctions on Iran. However, the disappearance of the Saudi journalist who entered the Saudi Embassy in Turkey on October 2nd has the potential to raise risks to global oil supply. While there has been a global uproar, it is not yet clear whether the US will impose serious sanctions or Saudi Arabia would retaliate by reducing oil exports if the US finds sufficient evidence regarding the alleged killing of the Saudi journalist. The recession in 1973-74 was partly due to the quadrupling of oil prices due to the Arab Oil Embargo. Later in that decade, the Iranian Revolution and the Iran-Iraq War also led to a 2.5 times spike in oil prices that, along with Federal Reserve tightening by then Chairman Paul Volcker, led to a US recession. While we think it is unlikely that Saudi Arabia would react so aggressively in the face of serious US reprisals, we note that it remains a real risk.

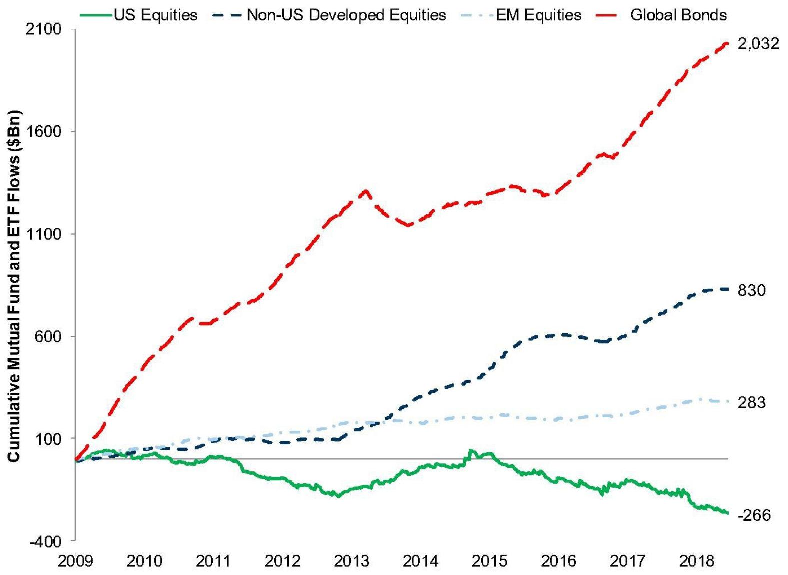
Some Notable Observations

US Equities Have Been Shunned All Along

In both our 2018 *Outlook* and mid-year update, we highlighted the surprising absence of inflows into US equities based on flows into mutual funds and Exchange-Traded Funds. As shown in Exhibit 9, flows into US equities were negative in 2018, even before the recent downdraft. In fact, US equities have seen outflows of $81 billion through August 2018 (based on the most recent comprehensive data), while non-US developed equities and emerging market equities have had inflows of $72 billion and $20 billion respectively. This is further evidence of our view that while sentiment and short term positioning among speculators and hedge fund managers shifts frequently, more stable investors have shunned US equities during this long bull market in favor of other developed and emerging market equities and global bonds.

This steady outflow of assets from US equities has been offset by record levels of stock buybacks by US companies given high levels of profitability and incremental cash from repatriation of overseas earnings, as mentioned above.

9. Cumulative Mutual Fund and ETF Flows (US$bn)



Note: Based on ICI weekly estimates through August 30,2018. Flows exclude reinvested dividends.
Source: Investment Strategy Group, ICI.

Some Headwinds Facing the FANGMAN Stocks Will Persist

The basket of FANGMAN (i.e. Facebook, Apple, Netflix, Google, Microsoft, Amazon and Nvidia) stocks have dropped across the board from their respective peak price levels, with Facebook's 29% decline the largest and Apple's 4% decline the smallest among the group. Even so, each of the stocks, with the exception of Facebook, still have positive year-to-date returns and have outperformed the S&P 500, as shown in Exhibit 10.

10. FANGMAN Recent Performance and Contribution to S&P 500 Earnings and Market Cap

	YTD Return (Through 10/12)	% Decline From 2018 Peak	% of S&P 500 Earnings	% of S&P 500 Market Cap
1 Netflix	**76.9%**	*-19.0%*	0.0%	0.6%
2 Amazon	**52.9%**	*-12.3%*	0.2%	3.6%
3 Apple	**32.8%**	*-4.3%*	4.4%	4.4%
4 Microsoft	**29.7%**	*-5.2%*	2.4%	3.5%
5 Nvidia	**27.6%**	*-14.8%*	0.2%	0.6%
6 Google	**6.4%**	*-12.8%*	1.9%	3.2%
7 Facebook	**-12.9%**	*-29.3%*	1.3%	1.8%
FANGMAN	**23.9%**	***-7.1%***	**10.4%**	**17.7%**

This is not a recommendation to buy or sell individual securities but rather an assertion that these stocks represent a small portion of S&P 500 earnings. Anyone looking to buy or sell single name equities should consult Goldman Sachs Global Investment Research.

Source: Investment Strategy Group, Bloomberg.

Nevertheless, we believe that some of the headwinds that have plagued this sector will continue. These include:

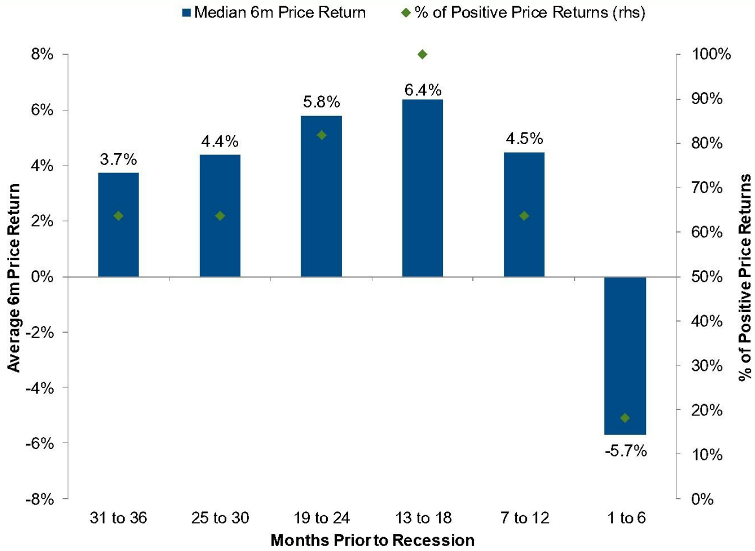
- Data privacy issues impacting a broad range of companies, including Facebook, Google, Twitter, Alipay and Tencent.
- High likelihood of greater regulatory scrutiny in the US[2] and Europe as policy makers increasingly believe that these companies will not address “the privacy and security issues of social media users”[3] on their own.
- Increased focus by ESG investors (Environment, Social, and Governance) that many of the technology and social media companies are falling short on social and governance issues.

While this basket of stocks may or may not lead the market in the future, it is important to note that they represent only 10% of S&P 500 earnings.

Investment Implications

The recent market downdraft has understandably rekindled fears that the longest bull market in history is coming to an end. While there are no certainties in investing, we do not think the odds support that conclusion based on our read of the steady and unsteady factors discussed above. Keep in mind that about 75% of historical US bear markets—defined here as equity market declines of 20% or more—have occurred during economic recessions. In fact, US equity returns have remained favorable until about five to six months prior to the onset of recession, highlighting the penalty for prematurely exiting the market (see Exhibit 11). With only 10% odds of recession over the next year, we think the economic backdrop remains favorable for stocks.

11. S&P 500: Returns Based on Time Until Next Recession



Source: Investment Strategy Group, Bloomberg.

Of course, none of the supportive factors discussed above precludes further bouts of equity volatility. As we highlighted at the beginning of the year, the historical probability of a 5% or greater correction from current valuation levels was 96%. Yet these statistics alone do not justify underweighting equities, since such pullbacks often occur after sizable equity rallies, as this year reminds us.

Moreover, such pullbacks are quite normal historically. After all, stocks have suffered a median of two pullbacks of at least 5% and one of at least 10% per calendar year in the post-WWII period, leaving both the frequency and magnitude of this year's dips in line with past experience. Most importantly, years that experienced a similar number of pullbacks as 2018 nonetheless ended with a median gain of 6% and had 77% odds of a positive return.

Conclusion

Although we have painted a less alarmist view of recent market weakness, we are by no means Pollyannaish. While bull markets do not die of old age, they do become more susceptible to ailments over time. Yet as we survey the tug of war between the steady factors and the unsteady undertow, we do not think the balance of risks is strong enough to topple the ongoing US expansion and the continued growth of corporate earnings it supports.

That said, this viewpoint does not preclude further market volatility and the market may still make new lows if the current downdraft persists. But history suggests the bull market is likely to continue until about 5-6 months prior to the end of this economic expansion. Thus, it will take a significant increase in the odds of an imminent recession to provide the trigger—that has been lacking thus far—to tactically underweight equities. In the interim, we continue to recommend that clients maintain their strategic allocation to US equities.

Sources: Investment Strategy Group, Bank for International Settlements, Bloomberg, Datastream, Goldman Sachs Global Investment Research, Haver, International Monetary Fund, Teneo Intelligence.

Endnotes:

(1) Kate Davidson and Sarah Chaney, “Fed Chair Powell Sees ‘Remarkably Positive Set of Economic Circumstances,’” The Wall Street Journal, October 3, 2018.
(2) Statement by the Acting Director of FTC’s Bureau of Consumer Protection Regarding Reported Concerns about Facebook Privacy Practices, March 26, 2018.
(3) Senator Mark. R Warner, Press Release, September 28, 2018

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From: paul krassner [redacted]
Sent: 12/20/2018 8:09:23 PM
To: Danny Goldberg [redacted]; Kevin Bright [redacted]; Caryl Ratner [redacted]
Subject: Fwd:

Importance: High

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Ho, Ho, Ho! Send Me $100 Billion By Christmas Or I Will Detonate A Dirty Bomb In 5 Major Cities!

Season's greetings from your old friend Santa! My, my, it seems the Christmas season comes a bit earlier each year, doesn't it? Yes, it certainly does. And with the hours ticking away until we make the Yuletide gay, jolly old Saint Nick has a very important message for all his boys and girls.
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From: Larry Visoski [redacted]
Sent: 12/23/2018 10:57:55 PM
To: Je vacation [jeevacation@gmail.com]
Subject: LSJ Trip

Jeffrey
Since Pres Trump didn't come to PBI Yet,
For you departure to LSJ on Dec 26th,, should Darren and Dave pick you up in PBI? Or do you prefer Boca for departure, at this time no TSA issue in PBI,,

Let me know if you prefer PBI or Boca for departure Wed Dec 26th?

Thx
Larry

Sent from my iPhone

From: Richard Kahn [redacted]
Sent: 1/10/2019 8:23:40 PM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: Trump's ex-lawyer Michael Cohen will testify at House Oversight Committee before entering prison

Importance: High

https://www.cnbc.com/2019/01/10/ex-trump-lawyer-michael-cohen-to-testify-to-house-oversight-committee.html

Richard Kahn
HBRK Associates Inc.
575 Lexington Avenue 4th Floor
New York, NY 10022
te[redacted]
fax[redacted]
cell [redacted]

From: Richard Kahn [redacted]
Sent: 1/23/2019 7:12:03 PM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: Michael Cohen says he's postponing testimony over threats by Trump

Importance: High

https://nypost.com/2019/01/23/michael-cohen-says-hes-postponing-testimony-over-threats-by-trump/?utm_source=maropost&utm_medium=email&utm_campaign=news_alert&utm_content=20190123&tpcc=nypbreaking&mpweb=755-7579323-719004712

Richard Kahn
HBRK Associates Inc.
575 Lexington Avenue 4th Floor
New York, NY 10022
tel [redacted]
fax [redacted]
cell [redacted]

From: Richard Kahn [[redacted]]
Sent: 2/8/2019 1:23:55 PM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: Tax expert tells Congress there is 'a lot to find' in Trump's returns

Importance: High

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>
>
> https://www.nbcnews.com/politics/congress/tax-expert-tells-congress-there-lot-find-trump-s-tax-n969121
>
>
> Richard Kahn
> HBRK Associates Inc.
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> Tel  212-971-1306
> Fax 212-320-0381
> Cell 917-414-7584
```

From: paul krassner [redacted]
Sent: 3/30/2019 4:23:32 AM
To: Steven Gaydos [redacted]
Subject: Re: IMPORTANT

Importance: High

THE LAST LAUGH

Sarah Silverman on Al Franken, Louis C.K., Losing Her Hulu Show and More

In the premiere episode of 'The Last Laugh' podcast, Sarah Silverman speaks out for the first time about her Hulu show's cancelation and goes to bat for her friend Al Franken.

<matt-wilstein-author.jpg>
Matt Wilstein

03.26.19 4:12 AM ET

Photo Illustration by The Daily Beast/Getty

Subscribe to *The Last Laugh* on Apple Podcasts

Wearing a rainbow-striped hoodie and a "Beer Nuts" baseball cap, Sarah Silverman strode into our Burbank recording studio ready to talk.

It had been just a few weeks since Hulu had unceremoniously canceled her weekly show *I Love You, America* and the comedian's emotions were still a bit raw. But her unflappable sense of humor was fully intact as she recounted to me how she found out the bad news and ended up revealing more than ever before about how the streaming service treated her over the past year.

During our long conversation for the first-ever episode of my new podcast *The Last Laugh*, Silverman also spoke frankly about what it has been like to see her friend Al Franken accused of alleged sexual misconduct and attempted to clarify the controversial comments she made to Howard Stern about Louis C.K. She reflected on some of her most iconic roles and looked ahead to what comes next.

Highlights from the interview are below and you can listen to the whole thing right now by subscribing to *The Last Laugh* on Apple Podcasts, the Himalaya app or wherever you listen to podcasts.

On the 'heartbreaking' cancelation of I Love You, America

"It came as a surprise. We were so sure we were getting picked up. We're all super bummed about it. I know that they did love the show, but I think what it cost compared to its popularity or the eyes that they had on it didn't—you know, the people that make the decisions there don't have any connection to the show. And it is just so heartbreaking because I kind of feel cut off at the knees."

<LRG_DSC02899_fvmyha.jpeg>

Sarah Silverman on 'The Last Laugh'

Cassandra Church/Starburns Audio

On the 'bullshit' allegations against Al Franken

"I can only just be honest and say, if I didn't know Al Franken, I'd probably be like yeah, go girl, me too, fuck that shit. Because I do know him, I don't feel that way. So maybe I'm too close to it and just seeing the dots not the big picture. But I just can't believe it. The U.S.O. thing is bullshit and if you watch the sketch they did, give me a fucking break. He may be guilty of doing pedestrian comedy, I guess, but he apologized and she accepted his apology. But it does seem that the Republican Party—and I don't think this is something to emulate at all—doesn't apologize, denies everything, admits nothing and everyone keeps their job. And I hate that that's what we teach our children. But if you apologize and say, 'I want there to be an ethics investigation on me and I want to do everything by the book, this is my truth but I'm open to [the fact] that these women felt this way, I want to make this right,' I don't know why that person then loses their job."

-

BURN IT DOWN

Sarah Silverman Throws Hulu Under the Bus: 'F*ck It'

Matt Wilstein

<190321-wilstein-sarah-silverman-tease_tjmvn0.jpeg>

-

GIVING THANKS

Why Sarah Silverman Is ‘Thankful’ for Trump

Matt Wilstein

<SS_tulqlf.jpeg>

On looking like an ‘asshole’ after commenting on Louis C.K.

“My experience with Louis as a teenager perhaps informs his pathology a bit. But in no way is it analogous to crimes, to assaults, he subsequently committed that mirror it, that come from it. I was just speaking about my own experience. And the headline was, ‘He jerked off in front of me and I didn’t care.’ And that’s so cold and insulting and awful to the women who were hurt by his actions. So if you clicked on it, they quoted me. But if you didn’t, and nobody does, it just makes me look like an asshole. And me looking like an asshole is the least of it. It hurt people and there was stuff that I said that I don’t think I was articulating the spirit of what I meant.”

<IMG_8787_vrvikb.jpeg>

'The Last Laugh' host Matt Wilstein and Sarah Silverman

Cassandra Church/Starburns Audio

On performing stand-up about being single without sounding 'hacky'

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Sarah Silverman Throws Hulu Under the Bus: 'F*ck It'

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Comedians Reveal Their Realest Selves on 'The Last Laugh'

<SM_4_gq9fyv.jpeg>

Seth Meyers Proves Trump Is the Real 'Husband From Hell'

"It's such an '80s comedienne premise, but then it was also my truth so I was trying to reconcile with it. It's hard to not be meta about it, because just to say 'I'm single' on stage. There's something that feels so inherently hacky about it that I feel like I have these guilt pangs and then it just becomes a whole other bit. It's always weird to navigate. I've always been in relationships for big chunks of time and every time I come out I'm like a generation older and I don't know what my station is."

Next week on *The Last Laugh* podcast: *Arrested Development* and *Veep* star Tony Hale.

From: JONATHAN FARKAS [redacted]
Sent: 4/18/2019 1:39:23 PM
To: jeevacation@gmail.com

Importance: High

```
Told you Barr would protect Trump known him for 50 years
Sent from my iPhone
```

Richard Kahn
HBRK Associates Inc.
575 Lexington Avenue, 4th Floor
New York, NY 10022
tel [redacted]
fax [redacted]
cell [redacted]

On May 22, 2019, at 5:47 AM, J <jeevacation@gmail.com> wrote:

how much info is in the ny state returns compared to fed re trump taxes

--

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Investment Management Division

Risk of a US-Iran Military Conflict and Other Geopolitical Risks

May 23, 2019

Investment Strategy Group

Discussion Topics

I. US Policy on Iran

II. Iranian Actions and Current Economic Conditions

III. Potential for US-Iranian Military Conflict

IV. Implications for the Global Oil Market

Risks to Our Views *(Presented in our 2019 Outlook)*

- In the near term, the most likely source of a domestic shock is the fallout from one of the investigations—by multiple state attorneys general and the House of Representatives—of President Trump.

- The ebb and flow of these investigations will inevitably lead to great market volatility. But there is greater likelihood that exogenous shocks will come from external sources, rather than domestic ones.

- External exogenous shocks
  - Trade War with China (*5/17/2019 ISG Client Call*) or continued slowing growth in China
  - Brexit
  - Auto Tariffs
  - Russia
  - Middle East
  - North Korea
  - Cyberattacks
  - Terrorism

Source: Investment Strategy Group.

Timeline: US-Iran Tensions Rise

Recent Key Events in US-Iran Relations

Date	Category	Event
7/14/2015	JCPOA	JCPOA* finalized between Iran and P5+1
10/13/2017	JCPOA	President Trump de-certifies compliance of Iran with JCPOA
5/8/2018	JCPOA	President Trump withdraws from the nuclear agreement
8/6/2018	Sanctions	Reimposition of sanctions on Iran (precious metals, currency, sovereign debt)
11/4/2018	Sanctions	Sanctions imposed on Iranian petroleum, shipping sector, energy sector, etc. Six-month waivers issued to eight countries that purchase Iranian oil
4/8/2019	Diplomatic Action	US announces it will designate the IRGC as a foreign terrorist organization
5/2/2019	Sanctions	Waivers for Iranian oil purchases not renewed
5/3/2019	Military	US intelligence suggests mobilization of Iranian forces, including photos showing IRGC loading missiles onto ships
5/5/2019	Military	Bolton announces US to deploy carrier strike group and bomber task force to the Persian Gulf, promising "any attack on US interests or on those of our allies will be met with unrelenting force" including attacks "by proxy, the Islamic Revolutionary Guard Corps, or regular Iranian forces"
5/8/2019	JCPOA	Iran announces it will end compliance with parts of the JCPOA, including uranium enrichment
5/8/2019	Sanctions	US imposes sanctions on Iranian industrial metals sector
5/9/2019	Military	Acting Defense Secretary Shanahan presents updated military plan to send up to 120 thousand troops to the Middle East if Iran attacks US forces or accelerates work on nuclear weapons
5/12/2019	Military	3-4 oil tankers reportedly damaged in a "sabotage" attack off the coast of the UAE
5/14/2019	Military	Houthi drones attack Saudi cross-country oil pipeline
5/15/2019	Diplomatic Action	US withdraws embassy staff from Iraq
5/19/2019	Military	A rocket is fired into Baghdad's Green Zone near the US embassy
5/21/2019	Military	A Houthi drone attacks an arms depot at the Najran airport in southern Saudi Arabia

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* JCPOA: "Joint Comprehensive Plan of Action"
Source: Investment Strategy Group, White House, US Treasury, *New York Times*, Bloomberg, *Wall Street Journal.*

Does the US Have a Clear Strategy?

“The United States is [sending] a message to the Iranian regime that any attack on US interests or on those of our allies will be met with unrelenting force. The US is not seeking war with the Iranian regime, but we are fully prepared to respond to any attack, whether by proxy, the Islamic Revolutionary Guard Corps, or regular Iranian forces.”

— *NSA John Bolton announcing the deployment of a carrier strike group to the Persian Gulf, May 5, 2019*

“President Trump has sought to put the brakes on a brewing confrontation with Iran in recent days, telling the acting defense secretary, Patrick Shanahan, that he does not want to go to war with Iran, administration officials said, while his senior diplomats began searching for ways to defuse the tensions.”

— *New York Times, May 16, 2019*

“Our aim is not war. Our aim is a change in the behavior of the Iranian leadership.”

— *Secretary of State Pompeo, May 12, 2019*

“The Fake News Media is hurting our Country with its fraudulent and highly inaccurate coverage of Iran. It is scattershot, poorly sourced (made up), and DANGEROUS. At least Iran doesn’t know what to think, which at this point may very well be a good thing!”

— *President Trump, May 17, 2019*

“Will the president let himself be pushed into a parlous war by John Bolton, who once buoyed the phony case on WMDs in Iraq?”

— *Maureen Dowd, New York Times, May 18, 2019*

Source: Investment Strategy Group, Twitter, *New York Times*, Politico.

Eurasia Group:
“The Three Principal Players Have Different Perspectives”

National Security Advisor John Bolton

- “Bolton wants a crisis. He hopes to use the pressure as a maximum containment strategy to cripple the Iranian economy, increasing domestic opposition to the government, and making regime change more likely.
- … ‘forcing’ the Americans to engage in military intervention for Bolton [is] a useful pretext to bombing key nuclear facilities that would set the Iranian program back years or more.”

Secretary of State Mike Pompeo

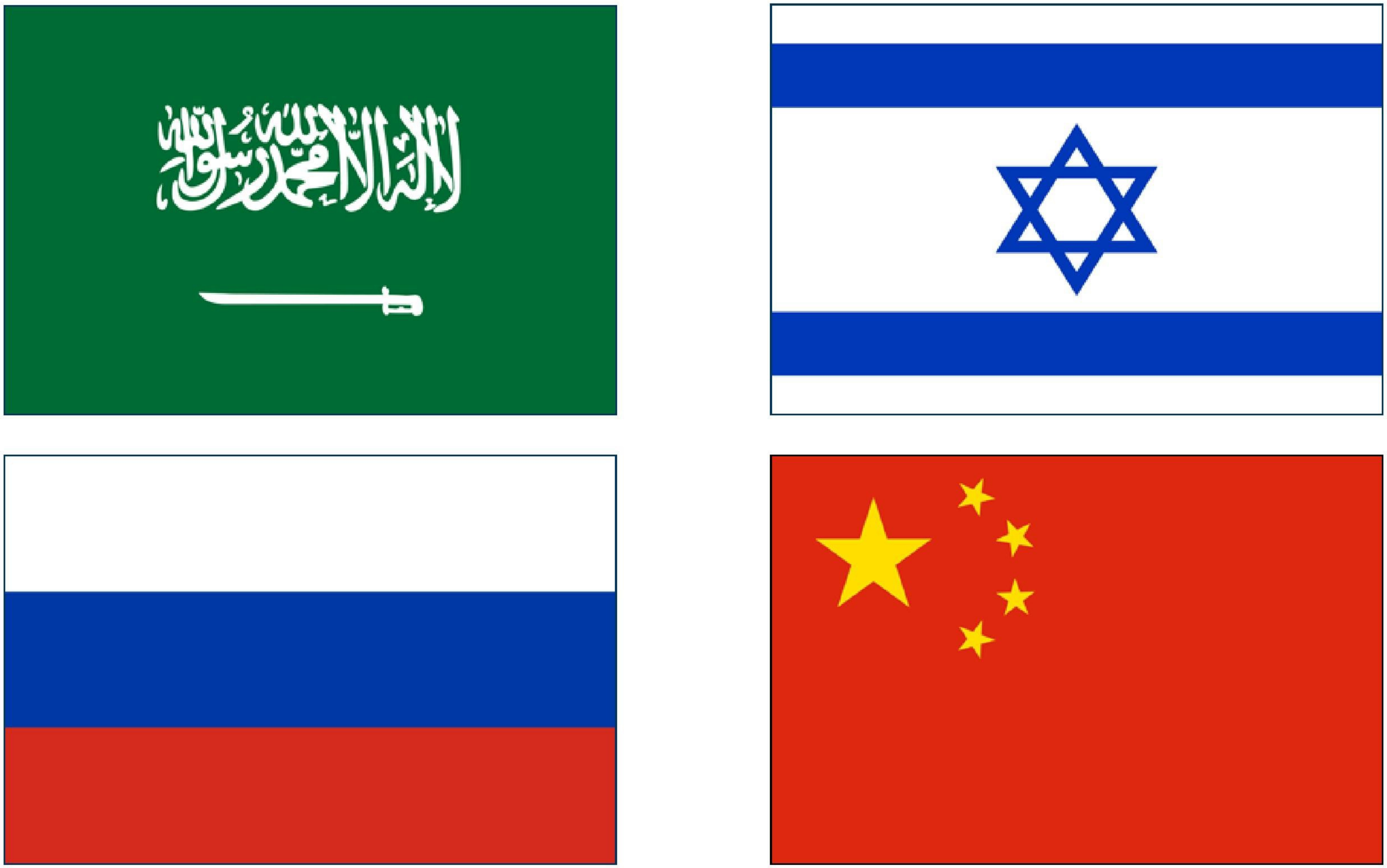
- “Pompeo wants the band back together. He doesn’t believe the United States can credibly induce the Iranians towards a more constructive posture by themselves, and accordingly wants a tougher, common front to force better terms from Iran from a position of strength.
- Pompeo hopes the Europeans and other allies will be more supportive of broader American pressure against Iran, and a multilateral coalition can come back together.”

President Trump

- “President Trump wants a breakthrough on his terms. He wants to use American power to force the Iranians into direct negotiations, and pull off a better agreement than Obama did.”

Source: Investment Strategy Group, Ian Bremmer, “EG Update,” Eurasia Group, May 20, 2019. Emphasis added.

What is the Impact of Other Countries’ Interests in the Region?


لا إله إلا الله محمد رسول الله

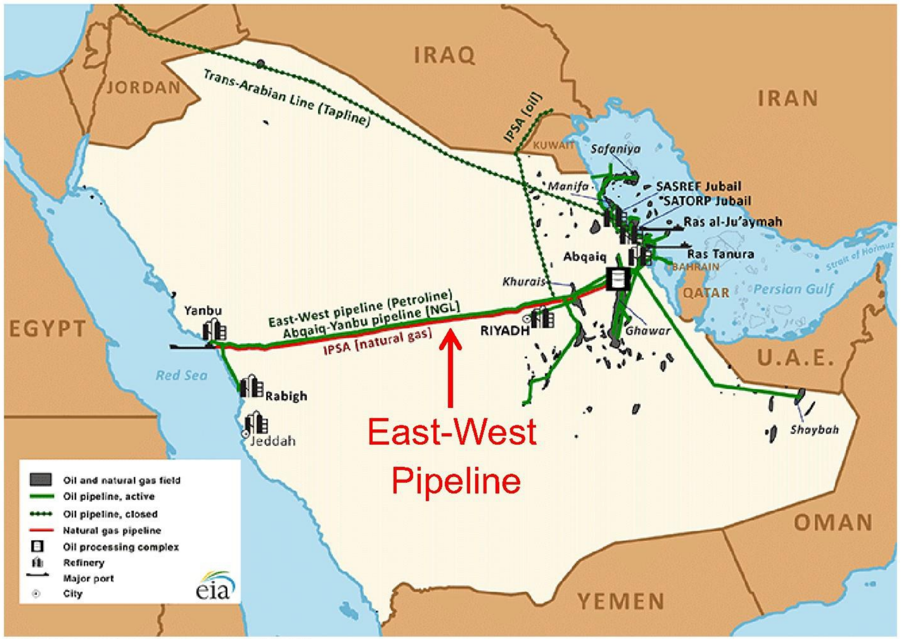
Source: Investment Strategy Group.

Recent Attacks Put the US on High Alert

1. Saudi Oil Tanker Al Marzoqah, Damaged in Reported Act of Sabotage

AL MARZOQAH
المرزوقة

2. Saudi Arabia Major Oil and Natural Gas Infrastructure


IRAQ
IRAN
JORDAN
EGYPT
KUWAIT
BAHRAIN
QATAR
U.A.E.
OMAN
YEMEN
Red Sea
Persian Gulf
Strait of Hormuz
Trans-Arabian Line (Tapline)
IPSA (oil)
Safaniya
Manifa
SASREF Jubail
SATORP Jubail
Ras al-Ju'aymah
Ras Tanura
Abqaiq
Khurais
Ghawar
Shaybah
RIYADH
Yanbu
Rabigh
Jeddah
East-West pipeline (Petroline)
Abqaiq-Yanbu pipeline (NGL)
IPSA (natural gas)
East-West Pipeline
Oil and natural gas field
Oil pipeline, active
Oil pipeline, closed
Natural gas pipeline
Oil processing complex
Refinery
Major port
City
eia

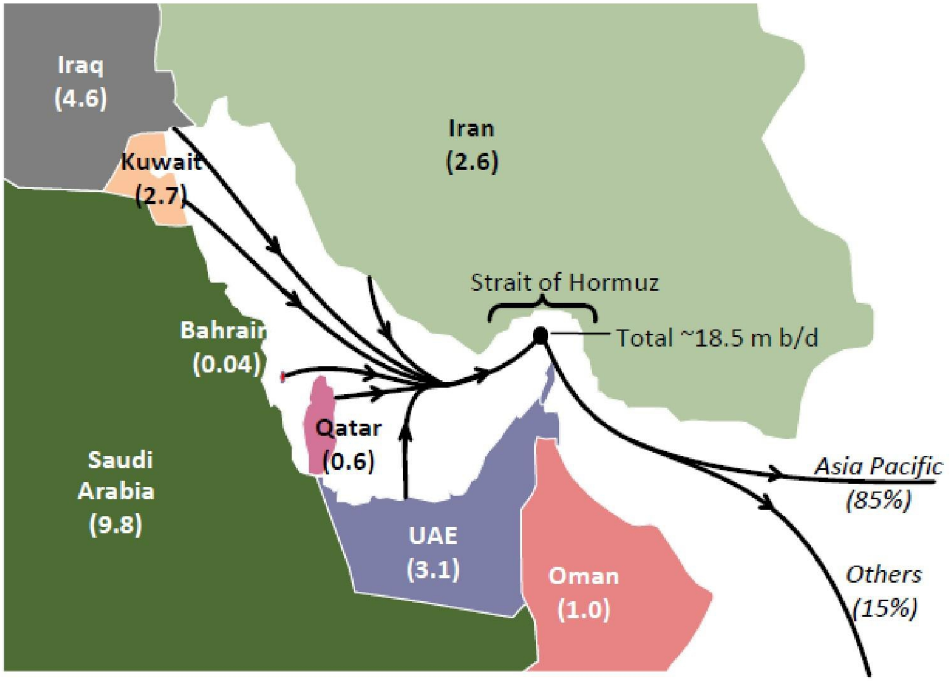
Source: U.S. Energy Information Administration, IHS EDIN

- May 12: 3-4 oil tankers are reportedly damaged in a "sabotage" attack off the coast of the UAE
- May 14: Houthi rebels use drones to attack Saudi oil pumping stations on the East-West Pipeline
- May 19: A rocket is fired into Baghdad's Green Zone less than a mile from the US embassy
- May 21: A Houthi drone attacks the Najran airport in southern Saudi Arabia

Source: Investment Strategy Group, Reuters, EIA, *New York Times.*

Iran Threatens to Close the Strait of Hormuz

Strait of Hormuz: April 2019 Crude Oil Production Per Country and Export Flows


Iraq (4.6)
Iran (2.6)
Kuwait (2.7)
Strait of Hormuz
Total ~18.5 m b/d
Bahrain (0.04)
Qatar (0.6)
Saudi Arabia (9.8)
UAE (3.1)
Oman (1.0)
Asia Pacific (85%)
Others (15%)

- A third of world's LNG and a fifth of global oil production goes through the Strait of Hormuz.
- "Iran relies on the Strait not only for its oil exports, but also for the imports of some needed food and medical products."[1]

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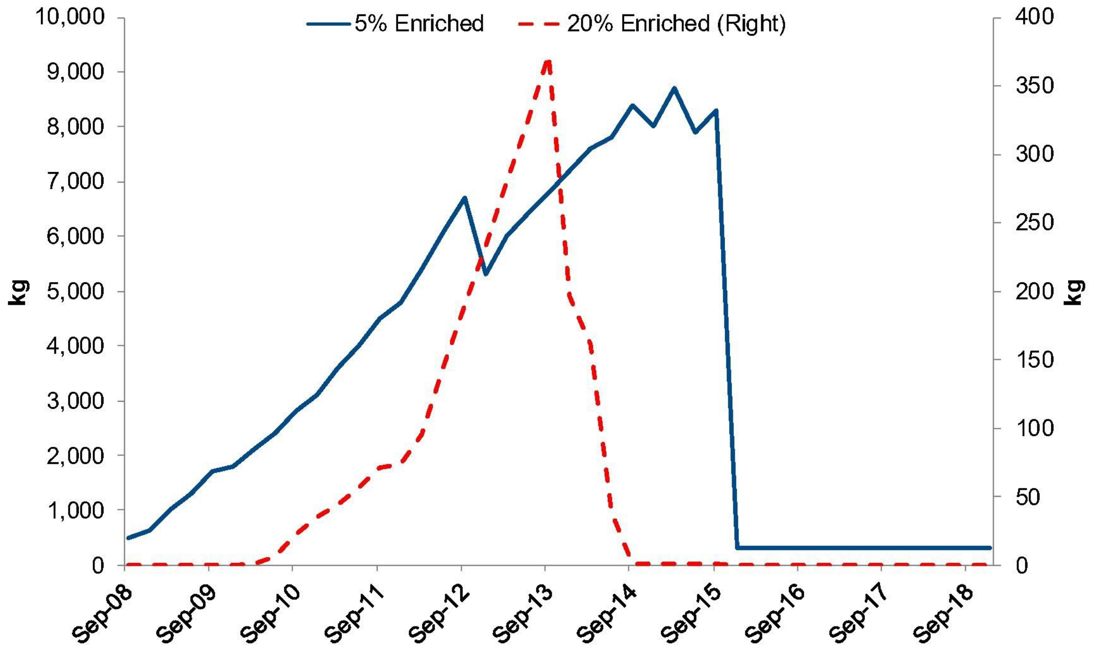
(1) Michael Ratner, "Iran's Threats, the Strait of Hormuz, and Oil Markets: In Brief," Congressional Research Service, August 6, 2018.
Source: Investment Strategy Group, Goldman Sachs Enterprise Risk Management, EIA, Bloomberg.

Iran Set to Restart its Nuclear Program

Iranian Enriched Uranium Stockpiles

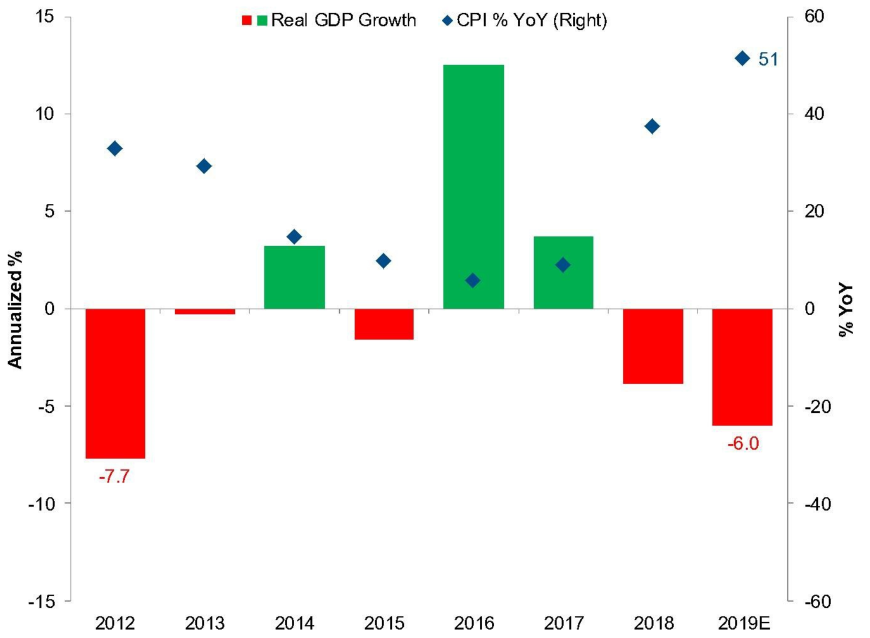


- A key criterion in the development of the Joint Comprehensive Plan of Action (JCPOA) is the time Iran needs to produce enough weapon-grade uranium for a nuclear weapon, called breakout time. Iran agreed to refine uranium to no more than 3.7% enrichment and eliminated its stocks of weapons-grade 20%-enriched uranium.
- On May 8th, President Rouhani announced a series of steps to resume the production of nuclear centrifuges and the accumulation of nuclear material within 60 days.

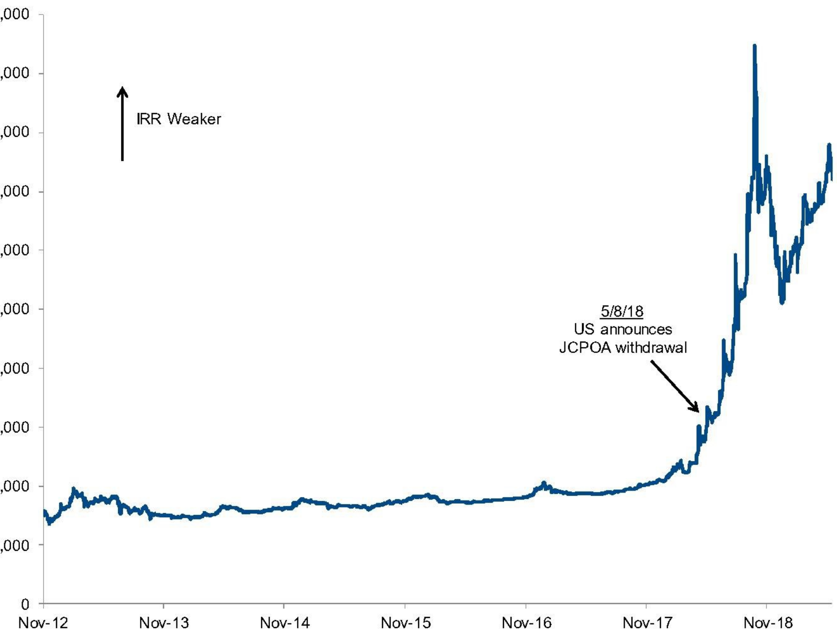
Source: Investment Strategy Group, Arms Control Association, International Atomic Energy Agency, JCPOA, Bloomberg.

Iranian Economy Hit Hard by Sanctions

1. Iran Annualized Real GDP Growth and Inflation[1]



2. Iranian Rial (Mid) to USD – Unofficial Market Rate



- The IMF forecasts that Iranian real GDP growth in 2019 will be the weakest since 2012 at -6%, even as annualized inflation is running at around 50%.

- The Iranian rial is trading near its all-time low against the US dollar, according to unofficial market rates. Since the end of 2017 the rial has depreciated by roughly -70%, compared to a -45% peak devaluation for the Turkish lira in 2018.

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(1) 2019 inflation as of April 2019.

Source: Investment Strategy Group, IMF, Statistical Center of Iran, Haver, Bonbast, Bloomberg.

US Military Signals Readiness to Respond

Abraham Lincoln Carrier Strike Group and Kearsarge Amphibious Ready Group – May 17, 2019

- The US deployed the USS Abraham Lincoln Carrier Strike Group and a bomber task force to the Middle East in early May in response to intelligence regarding Iranian military activity.

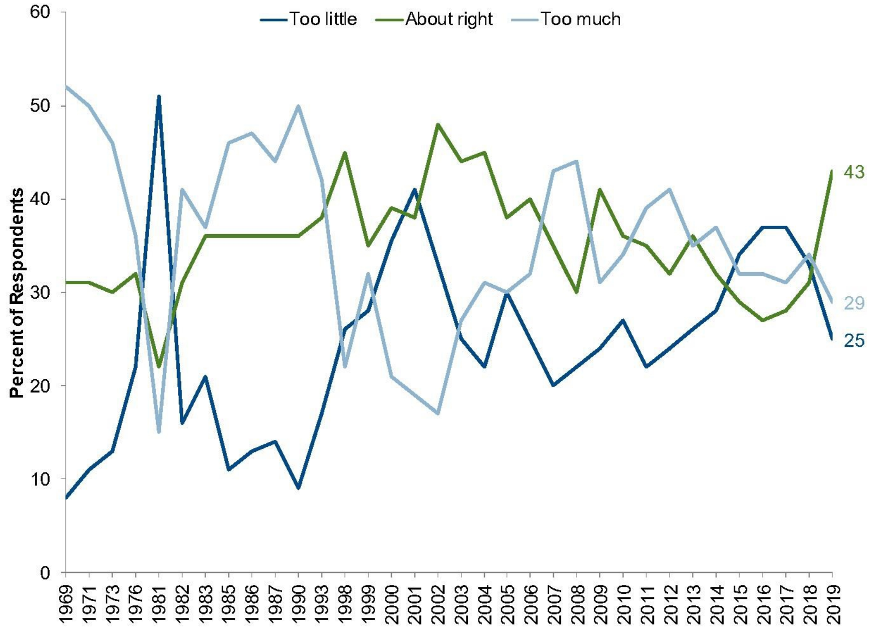
Source: Investment Strategy Group, navy.mil, *New York Times.*

Cost of US Wars

1. Military Cost and Casualties of Recent US Conflicts

			Casualties (Thousand)**		
Conflict	Military Cost ($bn)*	Years of US Involvement	Deaths	Non-Mortal Woundings	Total
Vietnam	821	17.4	58	153	212
Persian Gulf	113	0.6	0	0	1
Iraq	822	8.8	4	32	36
Afghanistan	975	17.4	2	20	22
Syria	54	4.7	0	0	0

2. Gallup Poll: “Do you think the US is spending too little, about the right amount or too much on national defense and military purposes?”



- Total costs of the war on terror for the US (including wars in Iraq, Afghanistan, and Syria), are estimated to be $5.9 trillion.
- Over 40% of Americans think the US is spending the right amount on national defense, the highest level in 15 years, but would there be appetite for yet another costly military incursion into the Middle East?

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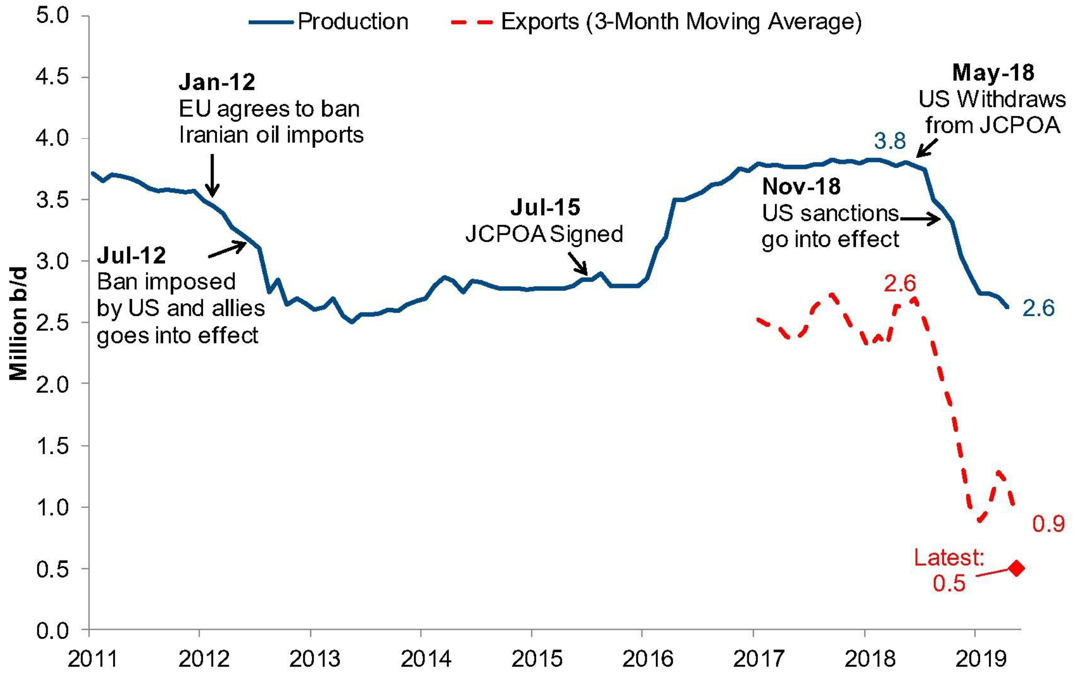
*Costs of military operations only. Iraq & Afghanistan costs based on all overseas contingency operations as of 2018; all other estimates based on 2010 CRS report scaled by US CPI through 2018. **Deaths: Battle and other in the theater.

Source: Investment Strategy Group, Congressional Research Service, "Costs of Major US Wars," June 29, 2010; Department of Defense Casualty Status; Department of Veterans Affairs; Watson Institute at Brown University, Gallup, *New York Times*.

Iranian Oil Production Has Plummeted

Iranian Oil Production and Exports (Million Barrels/Day)

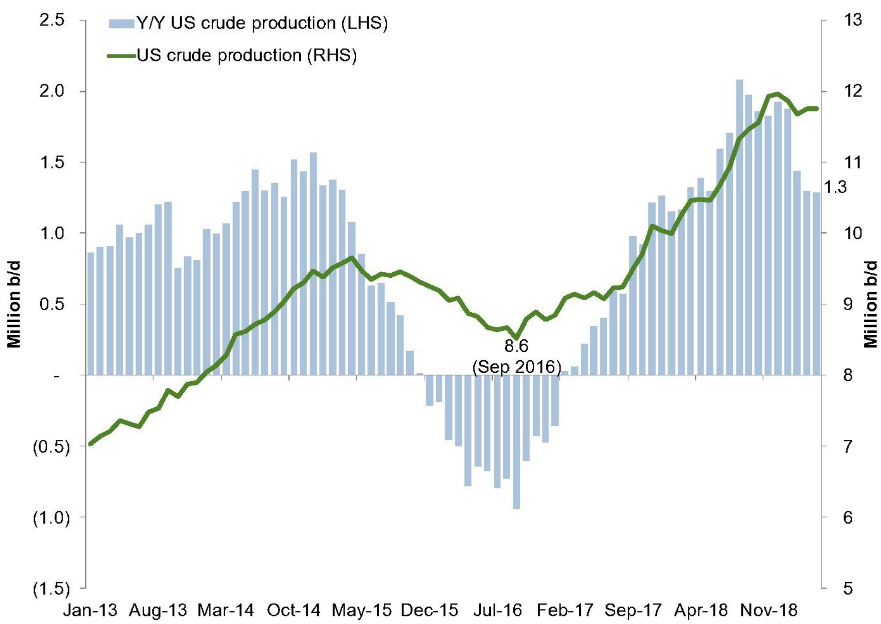


- Since the US withdrew from the JCPOA in May 2018:
  - Iranian oil production has fallen by 1.2 million b/d
  - Exports have fallen from 2.6 million b/d to 0.5 million b/d month-to-date in May (0.9 million b/d on a 3-month moving average)
- Iran will continue to send a few hundred thousand b/d of oil exports despite harsh US secondary sanctions.

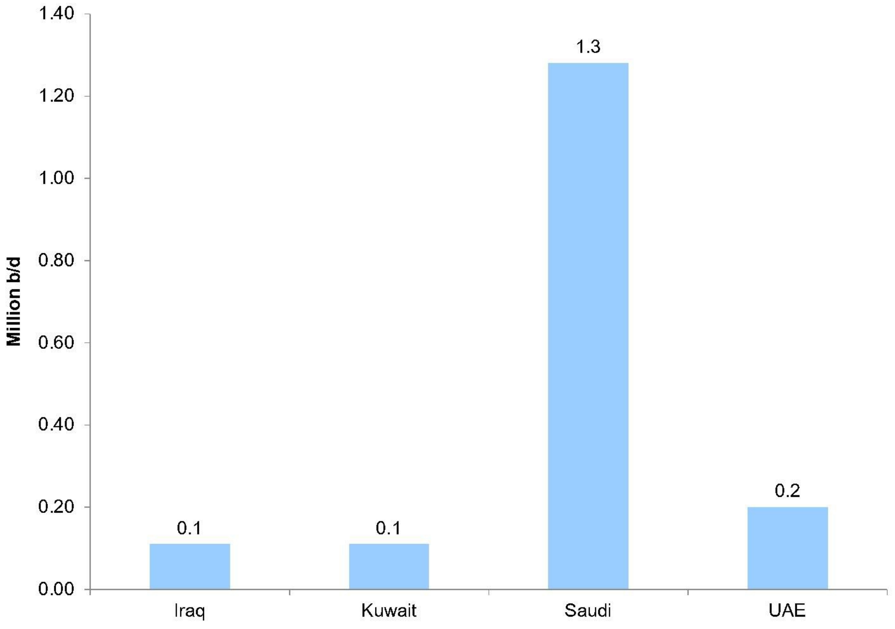
Source: Investment Strategy Group, Bloomberg, cFlow Data (Platts Global Crude).

Spare Oil Production Capacity Looks Adequate

1. US Crude Oil Production



2. Spare Capacity from April 2019 Production Level to 2018 Highest Production Levels



- US oil production growth has matched or exceeded global demand growth over the past year, providing ample supplies to the market.
- In fact, OPEC had to cut production in late 2018 in order to reduce oversupply and arrest a fast decline in oil prices.
- OPEC production could be increased back to 2018 highs if the market faced a shortage. Doing so would add 1.7 million b/d from main Middle Eastern OPEC members – more than Iran’s current export levels of around 0.5 million b/d.

Source: Investment Strategy Group, EIA, Bloomberg, OPEC.

Risks of an Oil Shock Look Contained

Investment
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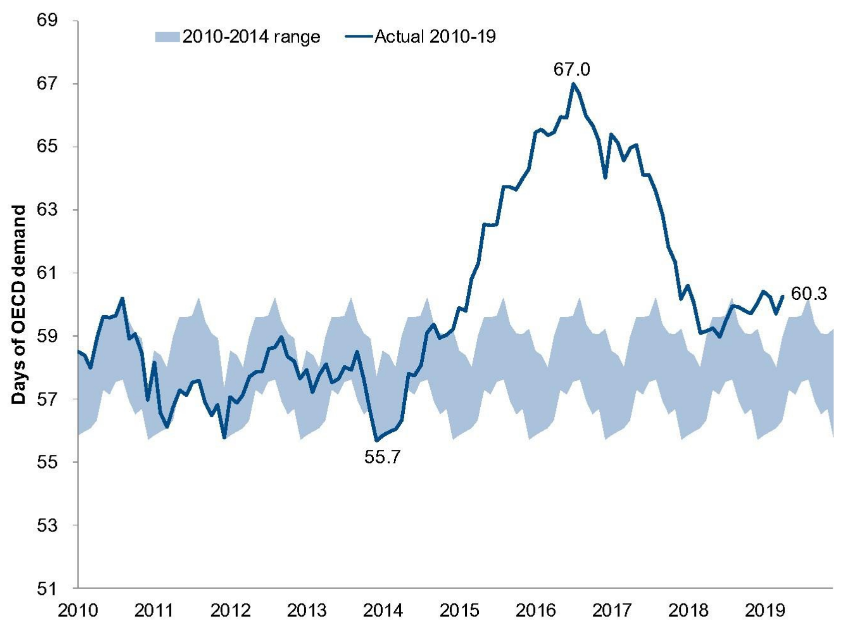
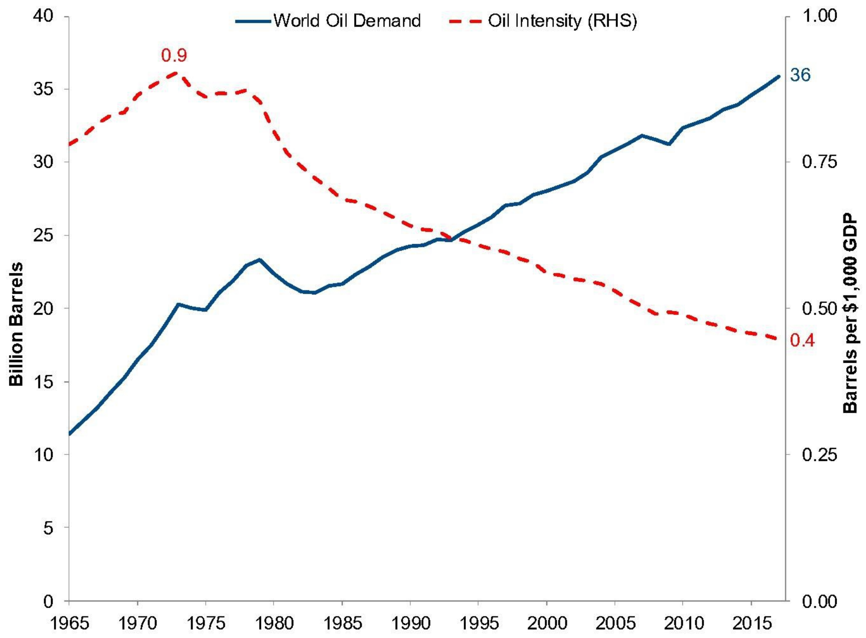
1. OECD Inventories – Adjusted for Days of Demand



2. World Oil Demand and Oil Demand Intensity per Unit of Global GDP



- Global oil inventories look adequate, with OECD inventories still well above historical norms.
- The US could release oil from its Strategic Petroleum Reserve if needed.
- Oil consumption represents a much smaller share of the economy than in the late 1970s and early 1980s.

Source: Investment Strategy Group, IEA, World Bank, BP Statistical Review.

Key Takeaways

- The immediate threat of military engagement between the US and Iran has eased but risk of escalation or miscalculation is high.

- US agenda (and the impact of Saudi Arabia and Israel) is unclear, with administration officials offering contradictory views.

- Iran is set to resume its nuclear program with the intent of gaining leverage for future negotiations which it previously relinquished as part of the JCPOA.

- There is further potential downside for Iranian oil production and exports, but ample OECD inventories, growing US production, and OPEC spare capacity would help contain any short-term oil price shock.

- We continue to recommend that clients stay invested at their full strategic asset allocation given today's macroeconomic backdrop and low odds of a recession, but we remain vigilant about the risks to our outlook.

Source: Investment Strategy Group.

Goldman Sachs

Investment Management Division

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The following table provides an example of the effect of management and incentive fees on returns. The magnitude of the difference between gross-of fee and net-of-fee returns will depend on a variety of factors, and the example has been simplified.

Period	Gross Return	Net Return	Differential
1 year	6.17%	4.61%	1.56%
2 years	12.72%	9.43%	3.29%
10 years	81.94%	56.89%	25.05%

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TOP STORIES FOR YOU

Why do gangs punish members who attempt to leave the gang?

Joe Crandall, lived in Compton, CA
Updated May 27

When gangs take new soldiers or gang members join a gang they are subjected to the ritual "Jumping In". Jumping in members is like the final last part of a job interview, t...

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As an aviation expert do you think that grounding of Boeing 737 MAX worldwide is an over reaction?

Wayne Magor, Principal Software Engineer (Avionics)
Updated May 23

I do not consider the grounding to be an overreaction. There appears to be some kind of problem with the aircraft. It is not normal to have 2 crashes within 5 months. Neith...

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When will the Russians send navy ships into the Iranian waters to assist Iran and counter the United States Navy?

James Shannon, Senior Chief U.S. Navy
Written May 22

Russia would certainly love to sail its Navy into the Persian Gulf. There are some realities that prevent them from accomplishing this. First and foremost, Russia's Navy ne...

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Is Tim Cook single?

Pascal Lorig, Student of industrial engineering
Updated Oct 5, 2016

Most probably no. He lives by himself. In the biography 'Becoming Steve Jobs' you get to know that even Steve Jobs was a little worried about Tim Cook since he was such a w...

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Do CEOs really need private jets?

Howard Freidman, Managing Director at BluechipJets-com
Written May 23

No, but those that can afford it understand the value.

One customer of ours is a *very* thrifty small businessman. A couple years ago, he took the plunge and purchased his fir...

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Has Donald Trump committed any crimes that a regular person would have already been arrested for?

Jay Valenci, studied at University of Pennsylvania
Written 19h ago

Absolutely yes. How do I know this? Because about 1000 bipartisan federal prosecutors signed a letter stating that the Mueller Report listed at least 10 instances of obstru...

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I have just been released from Columbia's waitlist. What can I do?

Stephen Lee, PhD in Modern European History
Updated May 17

If you’ve been released from the waitlist it means that the university has decided you are no longer a viable candidate. That means you have two choices:

The first choice is...

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How is life in Texas different from life in the rest of the US?

Stephan Lindgren, lived in Killeen, TX (2005-2009)
Updated Apr 5

As a veteran who has lived all over the country, but was stationed in Texas, this is what I noticed about Texas:

- Texans are more Texan than American. Texans will have plaque...

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How is Chris Kyle viewed among the Navy SEAL community?

Chris Henry
Written Jul 30, 2017

I’ll throw my two cents in since I did meet him when I was in the teams and know several guys that worked with him. One of his actual best friends was in a platoon with me ...

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How are public USB charging stations modified to steal information?

Buster Smith, Computer Enthusiast since 2001
Written May 22

Wayne Mullen, the article clearly explains and answers your question:

“Let's say I’m a bad guy. I go into an airport. I’m not going to easily take apart the charging station...

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Trump Under Fire

MICHAEL WOLFF

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WHEN:	WHERE:
Fri, 21st Jun 2019	**Emmanuel Centre**
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Michael Wolff is back. It's time to return to the madness and chaos of the Trump White House as the bestselling *Fire and Fury* author delivers wickedly entertaining insights from Year Two of the most divisive presidency in history. Discover just how close this most abnormal of presidencies has come to breaking point…

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Praise for Michael Wolff

“A deliciously catty look inside the White House, full of wicked anecdotes and gossipy gold. It's like sitting in a hairdresser's listening to a fabulously indiscreet conversation beside you. It's The Kardashians: White House edition (Harriet Alexander *Telegraph*)

“Once again, the dirt is abundant. Donald Trump insults everyone in his orbit, repeatedly, viciously, and - always privately - they return the favor ... Siege is overflowing with such titillating material, which is sure to make it another tour de force for the Trump resistance” (*Vanity Fair*)

“Bannon's frequently shrewd observations make it clear why Wolff finds him irresistible. The author is mostly interested in Trump's psychology. He is adept at documenting the president's lunacy, and Bannon is frequently an able fellow shrink” (*Washington Post*)

Utterly gripping (*GQ*)